



Daily Report

Latin America

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FBIS-LAT-96-088
Monday
6 May 1996

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May 1996

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Daily Report

Latin America

FBIS-LAT-96-088

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Cuba

Cuba: Spokesperson on Immigration Accord With U.S.

PA0305170596 Havana Radio Rebelde Network
in Spanish 1155 GMT 3 May 96

[Report by Zenaida Costales Perez; from the "Doing Radio" newscast]

[FBIS Translated Text] In her regular meeting with the local and foreign press, Marianela Ferriol, the alternate spokesperson for the Minrex [Ministry of Foreign Relations], discussed and answered reporters' questions on several topics of international interest.

The official discussed the future relations between Spain and Cuba, taking into consideration the newly elected Spanish Prime Minister Jose Maria Aznar. On this question, the Minrex spokesperson responded:

[Begin Ferriol recording] I believe that three months ago, in this very room, the foreign minister stated that we hoped relations with Spain would be maintained at their current level. [Words indistinct] at the level of the people [words indistinct]. The relations between the people of Cuba and Spain have become very consolidated, in a general sense, and they must continue. In addition, we hope that relations between the governments continue on their present course. [end recording]

When questioned by a reporter on the Cuban Adjustment Law, which was recently ratified [words indistinct] at the U.S. Congress and its possible impact on immigration agreements between Cuba and the United States, the Minrex spokesperson asserted:

[Begin Ferriol recording] The immigration agreements, as I have said [words indistinct] have been fulfilled and continue to be fulfilled. And this Adjustment Law [words indistinct] as I understand from its text, Cubans will continue to enjoy a privileged status, which emigrants from the rest of the world do not enjoy. [Words indistinct] evidently the current circumstances, particularly in an electoral year [words indistinct] U.S. petty politicking. [end recording]

In the meantime, the Minrex spokesperson announced that the first deputy minister of economy of the Czech Republic will visit next week, accompanied by a group of businessmen. Ferriol confirmed the trip by Cuban Vice Foreign Minister Isabel Allende to Rome and Brussels to continue the talks with the European Union.

[Havana Radio Havana Cuba in Spanish at 1300 GMT on 3 May broadcasts a one-minute report, which adds: "Commenting on the immigration accord signed one year ago between the United States and Cuba, Ferriol remarked that the Havana government will continue

to fulfill its part, in spite of the U.S. Senate decision to maintain the Cuban Adjustment Law, which grants Cuban immigrants preferential status with regard to immigrants from other countries. She concluded by saying that Cuba recognized the U.S. Government's cooperation on Wednesday in preventing a flotilla of Cuban-American emigres from Florida from entering Cuban territorial waters."]

Cuba: Reporters Witness Flotilla's Arrival Near Coast

PA0305145496 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 2 May 96

[Report by Gladys Rubio; from the "NTV" newscast]

[FBIS Translated Text] Foreign and local reporters aboard a submarine chaser [cazasubmarino] of the Cuban Revolutionary Navy witnessed today a new provocation off the Cuban coasts. We passed by El Morro Castle at 1132, and the cameras began rolling around noon. The submarine chaser stopped its engines 9.2 miles from the Cuban coast. At approximately 1320, all the reporters witnessed a new provocation by groups residing in Miami. An announced flotilla, reduced to a few boats, positioned itself on international waters, very close to Cuba's jurisdictional waters.

[Begin recording] [First unidentified speaker] You can see the U.S. Coast Guard boat, five small boats, and one small airplane, or maybe a helicopter — we cannot see very well due to the distance — flying over the boats.

[Rubio] What did you see?

[Second unidentified speaker] Well, what I can see on the horizon is a Yankee Coast Guard boat, four or five small boats, and a helicopter.

[Third unidentified speaker] I believe I saw six boats and a small airplane. The airplane is moving away now. I counted six boats, but I believe there are seven.

[Rubio] What agency do you represent?

[Third unidentified speaker] Antenna 6 of Spain.

[Rubio] What agency do you represent?

[Fourth unidentified speaker] I represent the weekly [word indistinct] in Germany.

[Rubio] Have you seen anything on the horizon?

[Fourth unidentified speaker] I see three or four boats close to the U.S. Coast Guard boat.

[Rubio] Would you do anything to dissuade the violators if a violation occurs?

[Fifth unidentified speaker] We are not the ones who should do anything. Perhaps other units have this mission. [end recording]

Everything seems to indicate that the U.S. Coast Guard prevented the violation, but how often can this happen? Who can guarantee that a U.S. Coast Guard ship will always be there to prevent this?

The flotilla organizers claimed that they carried out this raid off the Cuban coasts to demand respect for our workers' human rights. This was a waste of time, because at that hour, the Cuban workers were calmly resting after parading by the thousands at the square.

Cuba: Castro Awards 12 Workers, Comments on Level of Honor

PA0405035096 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 3 May 96

[From the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro has awarded the Gold Star and national colors, a recognition for work heroes in Cuba, to 12 Cubans who have distinguished themselves through their work, heroism, and exceptional merits. Fidel has awarded each of them personally and also has presented the Lazaro Pena and Jesus Menendez Awards to the heroes [words indistinct] Villa Clara and Batabano. Other outstanding workers and union cadres received awards during the solemn ceremony.

In a conversation with the press, our commander in chief [words indistinct] Pastors for Peace. He spoke of May Day, the importance of the forthcoming Youth Festival, and stated that the last provocation made by stateless people [apatridas] was comical at a time when all our people were participating in a combative march for the fatherland and socialism. Fidel then spoke about the heroism, dignity, and valor of our people:

[Begin recording] [Castro] The support from the people at the plaza was huge. Our cause is just, and we know how to defend it with honor and dignity, something which the world knows.

Now, given that market law [ley de mercado] is predominant around the world, products are very scarce, highly appreciated, and cost dearly, but our people's level of honor, in times so difficult, is something so exceptional that there is no price to pay for it on the market.

[Humberto Gonzalez] Throughout the revolution, I have put forth all my effort and intelligence to have the equipment in working order. For 13 years, I have received the status of National Vanguard in the construction sector

and the National Association of Innovators and Efficiency Experts national Vanguard status for 10 years. Over 100 of my innovations are used in cranes.

[Diosdado Perez] It is also the culmination of an entire lifetime of work and effort but is also a responsibility and a very serious one. It has to be considered a new starting point.

[Jesus Diaz] This is the greatest honor any Cuban can receive. For a Cuban, one who feels like a Cuban, this is the highest honor that can be given.

[Unidentified reporter] What did it feel like to receive this award?

[Jesus Diaz] There is nothing greater than this.

[Reporter] I am very happy to see scientists, workers, and cane cutters here. What do you think?

[Gustavo Pedro Kouri] That is our society; it is made up of science workers, laborers, and farmers; this is a representation of Cuban society.

[Reporter] Is this responsibility a new one for you?

[Gustavo Pedro Kouri] Yes, of course. It means more involvement every day.

[Carmelina Franco] I began working in a candy factory when I was very young. The factory was closed later because we had a mixed candy and [word indistinct]. Then I went to work in a candy shop as a cashier. I work in a bakery now.

[Reporter] How are you getting along there?

[Carmelina Franco] I defend [word indistinct] and am doing well.

[Heriberto Diaz] This is a new responsibility in my life as of today. For 36 years I have maintained an unrepachable conduct in the Armed Forces. I am always trying to do a little bit more. I will have to put forth even a greater effort from now on. [end recording]

Cuba: Castro Congratulates Radio Workers

PA0405044196 Havana Radio Havana Cuba in Spanish 0000 GMT 30 Apr 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] President Fidel Castro has congratulated the workers of Radio Havana Cuba on the occasion of the 35th anniversary of our radio station. He said the group will continue to defend the interests of the fatherland, the people, the revolution, and socialism just as in the days of Playa Giron.

In a message sent to our station, the Cuban chief of state has recognized the political and historical importance of the beginning of radio broadcasts to other countries and the founding of Radio Havana Cuba.

As an inseparable part of each battle fought in these three decades, President Castro has stated, Radio Havana Cuba has played an irreplaceable role in telling the world the truth about our country, explaining the essence of the revolution, and countering the powerful imperialist media monopoly. Radio Havana Cuba, he added, has been heard in the most distant places with an enlightening message of encouragement and firmness for many revolutionaries and the progressive forces thanks to the station's working group and has included friends of other fraternal countries among its members and collaborators.

In his message, Castro has stated that the work Radio Havana Cuba does is more important today, when the enemy is using powerful resources and increasing the confrontation against our country in all areas.

Cuba: Government Unveils 'Job Reduction Plan'

PA0305163496 Havana PRENSA LATINA in Spanish 1659 GMT 30 Apr 96

[FBIS Translated Text] Havana, 30 Apr (PL) — The government today unveiled its job reduction plan to trade unionists around the country and underscored that order and respect for the law must prevail during the current process to streamline the economy.

During a special speech at the 17th Cuban Workers Federation (CTC) Congress, Salvador Valdes, minister of labor and social security, stressed the need to adjust the state payroll and those of the productive sectors to meet the requirements of a modern and efficient economy.

Valdes recalled that the revolution treated unemployment as a social problem during the sixties. The special period (economic crisis), however, has seriously limited the government's ability to provide employment.

Valdes added that 120,000 jobs were eliminated between 1990 and 1995 due to the closing of factories and enterprises. The furloughed workers were guaranteed salaries until they were relocated.

He stated that only 10,900 furloughed workers are currently waiting to be relocated, down by 3,000 compared to 1995.

Valdes went on to say that the initial signs of recovery at the end of 1995 and the struggle to achieve efficiency were what prompted a national study on the use of labor

resources and the search for other sources of useful employment.

He said that every territory has its occupational programs, which are subject to systematic improvement. The state enterprises and labor reclassification play a basic role in these programs.

According to Valdes, the food production plan, the agricultural sector, and the recovery of the sugar sector have created the correct framework for the hiring of furloughed workers in vital sectors of the economy. Over the past 12 months, 27,000 workers were hired by these sectors.

Valdes said that the labor code that is in effect has proven to be flexible enough and does not require substitution by a new one. But he did announce future modifications to the document to keep it current.

Cuba: Personal Income Taxes in Local Currency Implemented

PA0405131496 Havana Radio Rebelde Network in Spanish 1700 GMT 1 May 96

[From "National Radio News" newscast]

[FBIS Translated Text] New taxes on personal income in the national currency became effective today based on resolutions issued by the Finance and Prices Ministry. These are taxes levied on people who engage in the transportation of cargo and passengers and those who work as representatives of [word indistinct] at the farmers' markets.

These new economic activities, recognized and organized so that they can be carried out legally, do not mark the end as far as taxes on personal income are concerned, because, as new activities appear, so will the corresponding taxes that will be applied to them.

We want all the self-employed workers to be within the law, Rafael Gonzalez, director of the National Office of Tax Administration, ONAT said. Gonzalez stressed that the relationship between self-employed workers and the state includes the payment of taxes as a way to contribute to the national budget.

Cuba: Meeting on Unity, Solidarity of Workers Held

PA0405221796 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 3 May 96

[FBIS Translated Text] Participants in the international meeting on the unity and solidarity of workers that took place in Havana City advocated more concise and united action to confront together neo-liberalism and the phenomenon of globalization.

During their addresses, union representatives and representatives of organizations from around the world condemned the economic, political, and social effects adjustment policies designed by imperialistic economic and financial organizations have had on the people:

[Begin recording] [First unidentified speaker] To date, we Latin American workers have not implemented any coordinated action that would allow us more options in confronting imperialistic policies.

[Second unidentified speaker] We talk of unity but must practice and implement it. We are nothing, will not reach our goals without unity. [end recording]

During the meeting, in which approximately 200 union and social organizations from 49 countries participated, the support and solidarity for the people of Cuba was predominant:

[Begin recording] [Third unidentified speaker] Cuba is the example now during these tremendously trying times—times of imperialistic wars and interference—for the workers and people of the world. They can save socialism for all the people of the world.

[Fourth unidentified speaker] The Cuban people showed us the way yesterday; therefore, comrades, let us give justice to the people of Cuba. [end recording]

The participants have condemned the blockade against Cuba and the Helms-Burton law and have called for a closing of ranks, thus favoring unity among all workers above ideological and political obstacles.

Following a petition made by all the participants requesting the organization of a union forum, the Cuban Workers Federation announced its willingness to co-sponsor an international meeting to coordinate actions against neo-liberalism and globalization coinciding with the World Youth Festival during the summer of 1997.

Cuba: Discussion Views Farmers' Market Issue, New Taxes

PA0405040196 Havana Radio Rebelde Network in Spanish 1155 GMT 3 May 96

[Studio discussion by reporter Felix Fernando Garrido and an unidentified reporter; from the "National Radio News" newscast]

[FBIS Translated Text] [Garrido] We wanted to broach the farmers market issue and the presumed connection between the new taxes and the rise in prices. Reporter Susana Lee has discussed this view in her article entitled "Inside the Market" that appeared in the newspaper GRANMA.

Many people indeed believe higher prices are a result of the new taxes. We, the ones outside the market [tarima afuera], have a different view. We believe and are convinced prices are regulated by production and its constant growth. I believe that Susana Lee did a thorough analysis and took into account the period in which the vendors and this type of market were operating but not paying any taxes. Profits were not subject to any taxes for quite some time. Taxes were implemented later on, and the alleged connection between taxes and increased prices appeared.

[Reporter] We recommend the reading of this article by Susana Lee, because many people on the streets are interested in these issues and want to know whether prices are going to continue increasing. Also, some people speculate that farmers' markets may close.

[Garrido] Not true.

[Reporter] [Words indistinct] Susana has addressed all these issues in her article. She has stated that vendors and middlemen were registering exaggerated profits during the early stages of the farmers' markets. Thereafter, the so-called new tax came about as part of the tax system developed in Cuba to organize the national economy and called for higher taxes from those who made higher profits. First, this tax is part of an effort to balance the economy and we all share the benefits. In addition, the tax allows the government to accrue revenues and we all receive the benefits of a more balanced budget.

[Garrido] I agree [words indistinct].

Dominican Republic

Dominican Republic: PRD Alleges Assassination Plot

PA0505012196 Madrid EFE in Spanish 1447 GMT 4 May 96

[By Alonso de Contreras]

[FBIS Translated Text] Santo Domingo, 4 May (EFE) — An alleged plot to assassinate a candidate, an alleged contraband of combat weapons, and insinuations of a plan to prevent black citizens from voting are tarnishing the 16 May Dominican elections.

All the previously mentioned accusations originate from the Dominican Revolutionary Party (PRD) which last night presented a man to the media and later turned him over to the police, claiming that he had acknowledged having participated in a plot to assassinate PRD candidate Jose Francisco Pena Gomez.

Rafael Antonio Pimentel, a member of, according to him, the Social Christian Reformist Party, the same

party as President Joaquin Balaguer, acknowledged before the Dominican media that he had been apprehended by bodyguards of Pena Gomez while surveilling the candidate's route as part of an assassination plot.

Pimentel accused a high-ranking official assigned to the Presidency of the Republic and an ultranationalist lawyer of having given him a large sum of money to kill Pena Gomez with the assistance of three other individuals who had organized the attack set for yesterday, 3 May, at 11:30 local time.

Several hours before the attack, the opposition candidate, who tops a voters preference poll, according to a recent survey, had denounced that weapons of combat were entering the country illegally and that they had been requested by individuals associated with a group close to President Balaguer, the so-called "palace ring."

According to Pena Gomez, these weapons would have been used to instigate an armed clash between his party and the Dominican Liberation Party (PLD), which candidate Leonel Fernandez heads.

This last candidate, whom Pena Gomez has accused of entering into an alliance with the official party, was also accused of organizing a plan to prevent black citizens from voting during the 16 May elections.

The PLD has charged that there are nearly 170,000 "foreigners," in reference to black Haitians, who have allegedly agreed to vote in the coming election for Pena Gomez, the only black candidate.

According to human rights advocates and religious groups, more than 3,000 illegal black Haitians and Dominicans have been expelled from the Dominican Republic during the past few days.

The PLD has urged its supporters at the electoral colleges to prevent all individuals suspected of being "foreigners," in reference to Haitians, from voting.

Cesar Estrella Sadhala, president of the Central Electoral Board, has reminded everyone that no citizen carrying a legal voter identification card duly inscribed with the electoral register can be deprived from voting merely on the suspicion, based on skin color, of being a foreigner.

The 16 May elections in the Dominican Republic during which a president and vice president of the Republic will be elected was rescheduled two years earlier because of

the political crisis prompted by the 1994 elections that international observers have described as irregular and fraudulent by the opposition parties.

Three months after the 1994 elections and by a minimum margin, the previous central electoral board proclaimed the reelection of President Joaquin Balaguer, 88 years old and practically blind from glaucoma.

Although a constitutional reform has approved the rescheduling of the elections for an earlier date and has prohibited any reelection for 1996, Pena Gomez' PRD has been accusing the "palace ring" of preparing a self-inflicted coup in order to ensure the continuation of Joaquin Balaguer in office.

OAS Secretary General Cesar Gaviria and U.S. officials recently visited the Dominican president who gave his assurances that the 16 May elections would be clean.

If no candidate is able to obtain 50 percent plus one of total votes during the first round, a second round will take place 45 days afterward. A bipartisan clash between Pena Gomez' PRD and Leonel Fernandez' PLD has been anticipated.

According to the Constitution, President Balaguer must step down from office on 16 August.

Dominican Republic: Balaguer Replaces Officials

PA0505192496 Madrid EFE in Spanish
1817 GMT 5 May 96

[FBIS Translated Text] Santo Domingo, 5 May (EFE) — Dominican President Joaquin Balaguer today replaced Carlos Morales Troncoso as secretary of state for foreign relations. Through a decree, Balaguer appointed Caonabo Javier Castillo, a high-ranking leader of the ruling Social Christian Reformist Party, as Morales' replacement.

Caonabo Javier Castillo is an engineer. He has been a deputy and an official in the various administrations of President Balaguer. He has also been vice president of the Christian Democratic Organization of America (ODCA).

The Dominican president also appointed Roberto Victoria ambassador to the United Nations, replacing Alfonso Canto Dinzey.

Mexico: Official Says Antidrug Policy 'Efficient'

PA0405022396 Mexico City REFORMA in Spanish
26 Apr 96 p 1

[Report by Dulce Ruiz de Chaavez — received via Internet]

[FBIS Translated Text] The Foreign Relations Secretariat has stated that the criteria and methods used in the antidrug fight in the country are the sole responsibility of the Mexican authorities.

Javier Trevino Cantu, assistant secretary of International Cooperation of the Foreign Secretariat, said the policy against drug trafficking "has been efficient, consistent, and has yielded good results," particularly when carried out with the cooperation of other countries.

The official refused to answer whether the conflict that emerged following the statements made by DEA Director Thomas Constantine about the alleged laundering of drug trafficking money in Mexican banks constitutes a "two-faced policy or a policy of subjection" by that country.

"I would not like to qualify the matter. What I would like to say is that the agenda of relations with the United States is very extensive and complex. When a problem emerges in one of the areas, high-level officials get together to resolve it through their communication channels," he has said.

Trevino Cantu, interviewed after inaugurating the meeting of the Franco-Mexican Association of Public Administrators, has insisted that the statements made by Constantine adversely affect the atmosphere of cooperation.

"When all is said and done, in matters of drug trafficking, the common enemies are the drug traffickers and organized criminals," Trevino has said.

He has said that the negotiations and cooperation agreements on this matter are conducted and signed by high-level officials, always respecting each others' sovereignty.

Unfortunate Statements

In addition, Trevino, who is also president of the Foreign Relations Commission, has described as "unfortunate and irresponsible" the statements made by DEA Director Thomas Constantine, who has said extensive money laundering operations are being conducted in Mexico.

"If he (Constantine) is responsible for preventing it in the United States, he should do it there first," he has said.

Mexico: Diplomacy Said 'Bending Its Knee' to U.S.

PA0405020696 Mexico City REFORMA in Spanish
29 Apr 96 p 1

[Commentary by Raymundo Riva Palacio: "Destiny: Manifest?" — received via Internet]

[FBIS Translated Text] At a meeting in Tijuana last week to discuss the immigration issue, President Ernesto Zedillo assured that diplomacy and machismo are not the same thing; therefore, any political action undertaken should fall within international law.

Perfect. No one can argue that point. Nevertheless, President Zedillo should be reminded that diplomacy is not the same as subordination, which is what his administration is doing, bending its knee to the United States in a shameful, anti-historic attitude that, as has been proven over time, will never benefit Mexico.

The manner in which his administration has approached migration and drug trafficking in its bilateral relations with the United States has proven not only the absence of a solid and consistent foreign policy but a pusillanimity and cowardice in its relationship with the U.S. Administration, which, in view of the lack of opposition from the Zedillo regime, has found fertile ground for all its wishes and plans.

In the area of immigration, the situation for the Zedillo administration can be summed up as follows:

The National Human Rights Commission has recorded 252 cases in which the human rights of undocumented Mexicans were violated in the United States. All of them, perhaps with the exception of a dozen, were perpetrated by the Immigration and Naturalization Service (INS). Among these were 30 deaths recorded by the Mexican Foreign Secretariat, three recorded by civilian organizations, and 80 cases of injuries and abuses of authority, including physical mistreatment, intimidation, rape, robbery, and the arbitrary seizure of documents.

Over the past months, six incidents that resulted in over 10 deaths were reported in southern California. Policemen who had no connections with the INS were involved in these incidents, which is illegal. According to Los Angeles Ordinance No. 40, the police cannot detain undocumented individuals, and they cannot turn them over to the INS if they do.

This, of course, has not been the case: In El Monte, Los Angeles, the local police raided a clothes factory and arrested undocumented and legal workers; on the Pomona Freeway, local policemen savagely beat two undocumented individuals; in Temecula, the police chased a pickup transporting undocumented individuals, and the pickup overturned, killing eight of its occupants;

in Anaheim the police stopped a pickup carrying 24 undocumented people, 12 of whom managed to escape; in Compton the DEA stopped a false bottom truck carrying undocumented people; and the Riverside Police detained another 26 undocumented people a few days ago.

How has President Zedillo's administration responded to this issue over the past month?

1. President Zedillo took two weeks to issue a statement on undocumented Mexicans after eight of them were killed on southern California highways. President Bill Clinton, of course, spoke within hours after the incident, which prompted a controversy and anger in the United States.
2. Following that incident, the Foreign Relations Secretariat tried to attenuate the complaints. Mexican diplomatic sources stated that Enrique Loaeza, the secretariat's general director of Protection and Consular Services, called for a lessening of the publicity surrounding the defense of Mexicans in the United States.
3. Loaeza sent a confidential message to the consulates in the United States on 26 April, telling them not to get involved in the activities of civilian community organizations in defense of the human rights of undocumented individuals.
4. President Zedillo, based on the 78,000 steps taken (some as simple as a telephone call) by the Mexican consulates in the United States, asserts that Mexico has a protection policy for undocumented Mexicans. Nevertheless, career diplomats at the Foreign Relations Secretariat are convinced this protection is virtually nil. For example, very few positions have been created at the consulates to deal with that task.

As for drug trafficking, the Zedillo administration has been more docile to the hard line in Washington than the United States own diplomatic sector, which has seen its strategy toward Mexico defeated over the past few months and its political staff overruled by those who are now setting the pace of bilateral relations: The Pentagon and the DEA.

The situation facing the Zedillo administration with regard to drug trafficking is summed up in the following point and counter-point:

White House drug czar Barry McCaffrey traveled to Mexico at the end of March for what was supposed to be a visit to establish contact and get acquainted. To the surprise of the top officials of the Zedillo administration, a priority issue on General McCaffrey's agenda was the demand that Mexico, as part of its cooperation against drugs trafficking, extradite drug traffickers who have

perpetrated crimes in Mexico for trial in U.S. courts. Had Mexico agreed to this, it would constitute a radical change in Mexican policy.

What did the Mexican Government do?

1. Gave in after becoming indignant. The United States has requested that Mexico return two individuals who had committed crimes in Mexico. These individuals will be tried in U.S. courts. A little over a week ago, Jesus Silva Herzog, Mexican ambassador in Washington, informed all the Mexican diplomatic missions in the United States through a confidential memorandum that this action should not be interpreted as a change in extradition policy, because these cases were rather exceptional. In response, the U.S. Government is now demanding that Mexico return the following individuals: Miguel Angel Felix Gallardo, who is under arrest in Almoloya; Amado Carrillo, also known as El Senor de los Cielos, and Miguel Caro Quintero, brother of Rafael Caro Quintero (who is also under arrest in Almoloya).

DEA Director Thomas Constantine arrived in Mexico last week to participate in a drug trafficking meeting. In his first public address, he said there was evidence to prove that Mexico was becoming a money laundering center where drug traffickers "are taking cash money to the southern (U.S.) border, sometimes millions of dollars, and attempting to deposit this in legitimate Mexican banking institutions."

What did the Zedillo administration do?

2. Remained silent for the first 24 hours. The government did not start making a series of rejections until top banking executives called Los Pinos presidential residence to protest Constantine's statements.

Constantine's statements were moderate, however, compared to the precedents. The Department of State last March had disclosed its annual report on drug trafficking. This report contained statements similar to those made by the DEA director, but these statements were attributed to "Mexican officials."

What did the Mexican Government do then?

3. Nothing. Neither did it protest nor did become outraged for this reason. In view of the facts, President Zedillo's administration has only reacted when the events have blown up so as to become a problem before the public. If there is no uproar and if no one protests, then subordination to the United States takes place in an obscure fashion and without any major problems. Nevertheless, President Zedillo's administration is, in fact, relinquishing national sovereignty to the hands of the United States. Let us understand sovereignty as a state's ability to make autonomous and independent

decisions at a very sensitive time when the future of bilateral relations is being redefined.

In Washington, the strategic management of relations with Mexico is being transferred from the State and Treasury Departments and the National Security Council of the White House into the hands of the Pentagon and the DEA, meaning Mexico is a national security affair that the military will handle. Right now, the staff that used to handle Latin American affairs at the Department of State are being replaced by experts in fragmented countries. Moreover, the very appointment of McCaffrey constitutes a blow against diplomacy. The drug czar was a man who was so distant from what the U.S. Department of State wanted for Mexico that James Jones, U.S. ambassador to Mexico, had on various occasions banned him from visiting this country before his appointment.

In addition, McCaffrey's hardness and Constantine's statements make it evident that what is required from Mexico is not economic viability only. Rather, as a high Pentagon official recently disclosed, Washington is interested in increasing and expanding its "security relations" to the southern region of this continent. The Manifest Destiny is an ideological concept that a New York journalist created in 1845 and that Democrat President James K. Polk carried out to its highest degree the following year. Due to either omission or perpetration, President Zedillo is also a contemporary culprit of this ideological concept.

Mexico: Nation Said 'Security Problem' for U.S.

PA0405000396 Mexico City EL FINANCIERO
in Spanish 30 Apr 96 p 47

[Received via Internet]

[FBIS Translated Text] A decisive fact is hiding behind the confusion triggered by U.S. accusations of alleged infiltrations of drug trafficking into the Mexican administration: The redefinition and reposition of bilateral relations in the United States.

U.S. messages have been clear for the time being: Mexican desks in Washington, the offices or boards in charge of handling relations with Mexico, were turned over to the Defense Department, military intelligence, the CIA, and the DEA from the Department of State, the Treasury, and the National Security Council.

The message regarding the controversy of drug money laundering in Mexican banks was very clear: The United States will certify Mexico financially if it transfers the control of the fight against drug trafficking to the United States. In other words, Mexico should hand over its

sovereignty and be protected under the umbrella of U.S. national security.

In fact, Mexico represents a national security problem to the United States. For this reason, Mexican desks in the United States do not deal with Mexican offices and officials in charge of diplomatic and financial relations—foreign affairs and finance—but instead with the National Defense Secretariat, the Attorney General's Office, and the National Counternarcotics Institute (INCD).

U.S. pressures on Mexico regarding the drug trafficking issue is more severe than what the lack of sagacity of Mexican diplomatic circles can assume. In the past month, U.S. drug czar General Barry McCaffrey was able to remove Rene Paz Horta from his post as INCD director because he was on the U.S. blacklist of Mexican officials involved in drug trafficking.

Attorney General Fernando Antonio Lozano Gracia, who enjoys President Clinton's support, sent a message to the United States when he replaced Paz Horta with none other than the prosecutor from the National Action Party (PAN) state government in Chihuahua.

In fact, the U.S. Government has privileged information about drug trafficking in Mexico and receives this information firsthand from the highest level and transmits it to the select circles of the intelligence and national security communities. Richard Canas is in charge of the Mexican desk for drug trafficking at the National Security Council in the White House. His appointment comes after being head of intelligence of the DEA office in Mexico for several years.

Despite this readjustment of the offices in charge of Mexican issues in the U.S. Government, the Mexican administration continues to misunderstand Washington's political maneuvers. Actually, Mexican Foreign Secretary Jose Angel Gurría made an official visit to Cuba during the most delicate moments of U.S. pressure. In times of past diplomatic tactics, Cuba had strategic value to Mexico when it represented the interests of the Soviet Union; this is no longer the case today.

President Ernesto Zedillo's government is making efforts to direct U.S. attention to financial and political issues. In this regard, the Mexican Government has turned to Joseph Marie Cordoba Montoya to represent Mexican interests in the U.S. financial community and has made efforts with a view to Pedro Aspe Armella's influence in those circles to favor Mexico.

Mexico does not have operators at the diplomatic level. Gurría is not a diplomat but, rather, a financier who has renegotiated Mexico's foreign debt and depends on Cordoba Montoya's contacts. Cordoba Montoya's influence

can also be felt at the lower levels: Juan Rebolledo, vice secretary for bilateral relations, was head counselor of Cordoba Montoya from 1988 to 1994 and Carlos Salinas' private secretary from March to November 1994. Furthermore, Javier Trevino became part of Cordoba Montoya's group through Otto Granados Roldan, who appointed him press attache at the Mexican Embassy in Washington. He is now deputy secretary for multilateral relations.

U.S. political messages are very clear, however. When the United States increased its pressure on Mexico because of drug trafficking, after statements by DEA Director Thomas Constantine, the U.S. Department of Defense officially received General Enrique Cervantes Aguirre to discuss bilateral cooperation in the fight against drug trafficking. A month before, when the Institutional Revolutionary Party (PRI) was exerting enormous pressure on Lozano Gracia, General McCaffrey conveyed a personal letter to Zedillo from President Clinton that, according to McCaffrey, defined bilateral relations and praised Lozano Gracia's performance.

The White House has defined the levels and topics of its bilateral relations with Mexico: The border issue, because of the immigration problem, defense issues, because of visits to the Pentagon by the Mexican chief of the Army, and drug trafficking, because of the DEA and White House interests. The U.S. intentions are clear-cut: The three topics have nothing to do with the elections but, rather, an in-depth redefinition of the new, U.S. agenda with Mexico.

The game the United States is playing is dangerous. Constantine has accused Mexican banks of laundering drug money. Later on, U.S. officials said the Mexican press had exaggerated statements by Constantine. U.S. Ambassador to Mexico James Jones told EL UNIVERSAL a day later that the United States had evidence, concrete names, of Mexican banks laundering drug money. Furthermore, a DEA report (EL FINANCIERO 28 April) published names of Mexicans who launder drug money. On 2 May McCaffrey said drug trafficking was a threat to Mexican democracy and congratulated Colombia for its struggle against drug trafficking, despite U.S. decertification, and criticized Mexico after it was certified.

In this sea of confusion, the only certain thing is that the Mexican desks in the United States are under the National Security Council, Defense Department, Defense Intelligence Agency (DIA), CIA, and DEA. That is where Mexico's future will be defined in accordance with U.S. interests.

Mexico: Commerce Secretary on Trade Issues With U.S.

PA0305185496 Mexico City LA JORNADA
in Spanish 2 May 96 p 1

[Report by Ismael Romero and Elena Gallegos — received via Internet]

[FBIS Translated Excerpt] Commerce Secretary Herminio Blanco met with deputies and said that, regarding bilateral relations with the United States, Mexico is concerned about the problems with producers of national cement, tomato, avocado, and tuna; with manufacturers of color television sets, and even brooms, as well as with the land transportation sector. He also reported that the country's trade balance for the first quarter shows a \$1.672-billion surplus, which surpasses the \$597-million surplus reported during the same period in 1995.

Blanco met with a group of legislators from various parties that will participate in the U.S.-Mexico interparliamentary meeting. He reported the status of negotiations regarding these and other topics of interest in our trade relations with the neighboring country.

Within the context of the NAFTA he reported that Mexico's trade balance with the United States and Canada in January 1996 totaled \$1.434 billion and \$48 million, respectively. He said this was the result of a 21.8-percent and 20.4-percent increase in exports to the two countries, and an 8.6-percent and 9.1-percent increase in imports.

Referring to problems faced by Mexican producers, Blanco gave the legislators the background and current situation of each case, and he referred to U.S. authorities' failure to comply with bilateral trade agreements currently in effect.

Talking about cement, he revealed that Mexican exports have been subject to an antidumping quota since 1990 and this has provoked a reduction in the value of Mexican cement exports of \$70 million in 1990 and \$256 million in 1994. Even though there have been offers to analyze the issue and even though the Mexican party has fulfilled its pledges, the U.S. counterpart "has only objected to and rejected Mexico's proposals."

A panel has been installed upon request from Mexican enterprises. A public hearing of the case will be held today and a final ruling is expected by 31 July 1996.

According to the information given to the legislators, included in an information portfolio, there seems to be no solution in the case of the tomato given the war unleashed by Florida producers.

The U.S. Department of Agriculture is reportedly preparing to issue a report on the hearings carried out regarding Mexican avocado imports, which are opposed by California producers, who control the product's market in that country.

Regarding tuna, a bill to amend the Marine Mammals Protection Law is being discussed at the U.S. Congress and, if approved, it would allow the suspension of the embargo against this product. However, the Mexican Government does not feel too optimistic. A definite vote could be cast at the U.S. House of Representatives in June but, "if the process is delayed, the problem might not be solved this year because it is election year in the United States."

The information states that the Helms-Burton law is another topic of interest for Mexico; adding that, according to the procedure to settle disputes specified in the NAFTA, the first consultation meeting between the United States, Mexico, and Canada was held on 26 April in Washington.

The U.S.-Mexico interparliamentary meeting will be held on 3-5 May in Zacatecas. [passage omitted]

Mexico: Article Questions U.S. Money Laundering Concerns

PA0305203496 Mexico City EL FINANCIERO
in Spanish 2 May 96 p 42

[Unattributed article; all quotation marks as published — received via Internet]

[FBIS Translated Text] "Why have the DEA and the State Department's international narcotics and crime office been so prolific in the last few weeks? Officials of all levels of the aforementioned offices have visited Mexico, and there have been all sorts of statements, most of which blew Mexico's money laundering out of proportion, downplayed it in the United States, and combined this pressure with the demands for the arrests and extraditions of drug trafficking leaders from Mexico to the United States.

The accusations seem clearly exaggerated but they stem, as any destabilizing and misinforming attempt should, from real events. Drug trafficking money is undoubtedly laundered in Mexico, but in no way whatsoever in the amounts about which DEA Administrator Thomas Constantine spoke: By simply exhaling, Mexico would not have problems with its balance of payments. [sentence as received] Colombia is an example; it is the only Latin American nation that, despite its serious political instability, did not have serious problems, in any of the stages of the debt crisis, to face its obligations with foreign lenders. Mexico cannot deny that banks are laundering

money in its territory, but we cannot ignore that most drug trafficking money laundering is taking place in the United States itself.

Maybe there was an attempt at money laundering in the Tepozteco project, as the DEA affirmed. Many of the investors who planned that foiled golf club in Morelos are undoubtedly honorable people, and their resources were legitimate. However, no one could guarantee that the project, or any other project, was not being used to launder drug trafficking money. The point the DEA is trying to make is that the project is being built in Morelos, which is a state where overt and covert accusations against Governor Jorge Carrillo Olea's past in security bodies have combined with the increase in drug trafficking and kidnappings, compounded by the stay in that state of people involved, precisely, in international money laundering.

The question is, what are the DEA and its officials seeking with this information they know is distorted and with this political pressure? Once more we must insist that it is the confrontation of the two perspectives on foreign policies that exist side by side in the Clinton administration and that are trying to create their own opportunities with a view to the U.S. election campaign.

President Clinton came to the U.S. presidency with a label: That of being a weak politician, too liberal for the taste of the U.S. establishment [preceding word in English]. During the election campaign, it was obvious that he had avoided the draft, that he had had extramarital affairs, that he had gone to Moscow as a leftist "tourist" in the 1960's, and, worse yet, that he admitted that he had consumed marijuana and that his brother had undergone medical treatment for his addiction to hard drugs. To make matters worse, many of the men and women who were part of President Clinton's team had proposed, on more than one occasion, the legalization of soft drugs and had openly opposed the strategies of the war against drugs of the Reagan and Bush administrations.

Once he got to the White House, as he has done with other aspects of his administration, President Clinton tried to gain the confidence of the establishment [preceding word in English] by resorting to his adversaries. This is how he appointed in the Department of State, in the drug control area, a tough among tough people: Robert Gelbard, who is a Republican from the party's most extreme wing and a friend of Jesse Helms, who is responsible for the rudest [groseras] interventions in the war against drugs. Thomas Constantine is far from being a liberal and a democrat; he has a profile similar to Gelbard's and he is also a tough Republican. Closer to President Clinton in the structure of the fight against

drugs, we find only the recently appointed Barry McCaffrey, who is the director of the National Drug Control Policy Office of the White House and who cannot directly and openly intervene in such special agencies as the DEA.

This internal fight becomes evident as we compare the actions of the DEA and sectors of the Department of State in the drug program President Clinton unveiled in Miami on 29 April.

However, it is not a matter of strategies only: What Republicans Constantine and Gelbard really want is to reveal the "liberal" President Clinton, and to do this, they must focus their efforts on Mexico, which is where the President's stakes are the highest, and are combined with some that are also very high: President Zedillo's own gamble that President Clinton will be reelected in the upcoming November elections.

"Why is money laundering the issue? Because it fits perfectly the offensive that Republicans Jesse Helms and Alphonse D'Amato, and Democrat Dianne Feinstein will launch at Congress in the next few days. They will request the cancellation of the financial aid to Mexico for lack of cooperation in the fight against drug trafficking. It is a strong argument for U.S. voters: 'Why, they openly asked, does President Clinton want to keep supporting with tax revenues a foreign government that also has its coffers full of drug trafficking money, with which they poison the United States itself? The fact that the allotment the U.S. Government allocated as part of the financial package was much less than expected is not important; neither is the fact that there are bilateral commercial, political, and social relations, for the which the United States must prevent the Mexican crisis from worsening, let alone the fact that the drug trafficking resources that remain in Mexico are not of that magnitude. This strategy has its eyes set on November, on the U.S. election, on doing away with President Clinton. Does our Foreign Relations Secretariat understand this?"

Mexico: 'Anti-Immigrant Atmosphere' Along Border Viewed

PA0405012896 Mexico City EL FINANCIERO in Spanish 2 May 96 p 48

[Received via Internet]

[FBIS Translated Text] On the eve of the 13th Bina-tional Meeting and in an effort to define immediate ac-tions that would strengthen the defense of human rights of Mexican immigrants in the United States, the 15 con-suls accredited in the border region met yesterday with the principal authorities of the Secretariat of Foreign Relations (SRE).

At the meeting, the anti-immigrant atmosphere prevail-ing along the U.S. border and the consular activities to counter it were explained in detail, the SRE stated.

In a news conference, Enrique Loaeza Tovar, director of the Consular Protection Office, downplayed the criticism and said "Mexico has done what it had to do to defend fellow citizens."

Secretary Jose Angel Gurria and the under secretaries of bilateral affairs and cooperation, Juan Rebolledo and Javier Trevino, respectively, presided over this meeting.

The purpose of the meeting was to devise the consular strategy with the objective of "promoting every action necessary to deal more effectively with the problems stemming from border coexistence and, in particular, those resulting from immigration."

The consuls briefed Secretary Gurria on the situation pertaining to the anti-immigrant atmosphere, human rights, documented immigration, and the incidents that occurred recently.

The participants at the meeting agreed on the importance of broadening and furthering dialogue, at the local level, with the various U.S. authorities that make contact with the Mexican immigrants.

In a press bulletin, the SRE stated that during the meeting, participants "also agreed to strengthen the actions that promote a positive image of immigrants and to highlight the importance of the contribution migrant workers have made to the economy, society, and culture of the United States. [no closing quotation mark as published]

In addition, it reiterated the need to promote a com-prehensive and long-term concentration on immigration and to insist on the revision of the systems, procedures, and application of immigration laws of that country. They concluded by reiterating the need to foster the multilateral discussion of issues so as to generate broad consensus and effectiveness, the SRE concluded.

Mexico: PRI Deputy Cited on Upcoming Meeting With U.S.

PA0405004696 Mexico City REFORMA in Spanish 3 May 96 p 1

[Report by Miguel Angel Juarez — received via Inter-net]

[FBIS Translated Text] Mexico's relationship with the United States is good despite the incidents involving hu-man rights violations of Mexican immigrants, the xeno-phobic remarks made during the U.S. presidential cam-paign, the money laundering accusations, and the inter-

pretations of NAFTA, PRI [Institutional Revolutionary Party] Deputy Augusto Gomez Villanueva has said.

Gomez Villanueva is chairman of the Foreign Relations Commission that has organized, on Mexico's behalf, the Mexico-U.S. Interparliamentary Meeting that will begin in Zacatecas tomorrow. The PRI legislator has said the purpose of the meeting is to strengthen cooperation between both countries in order to find joint solutions to the problems.

The Mexico-U.S. Interparliamentary Meetings have been held every year since the six-year term of former President Adolfo Lopez Mateos, and Humberto Roque Villanueva, leader of the Chamber of Deputies, will preside over the meeting this time.

Gomez Villanueva has said Mexico has protested each of the human rights violations as well as the "irresponsible" remarks from DEA officials that Mexican banks launder large sums of money.

The PRI legislators have refused to specify what the most important topic for Mexico is, but he has said that with regard to immigration, this interparliamentary meeting will seek to lay the foundations for promoting a regional summit on the matter.

"We cannot just talk about one problem; there are several problems, and the ideal thing would be to discuss them within cooperation and friendship, based on a fundamental principle: Respect for sovereignty," the lawmaker has said.

He has said that the works of the interparliamentary meeting will be divided into two large segments: Analysis of NAFTA two years after it has gone into effect and the social aspects of drug trafficking, money laundering, immigrants, and undocumented workers.

Gomez Villanueva has affirmed that the Mexican delegation that will participate in the interparliamentary meeting will stress the importance Mexico places on respect for the human rights of undocumented workers.

He concluded that the Mexican delegation will present a homogeneous position and will participate in the meeting with the desire to reach accords.

Mexico: Official Says Nation Not 'Lukewarm' Toward U.S.

PA0505033396 Mexico City REFORMA in Spanish
3 May 96 p 1

[Report by Dulce Ruiz de Chavez — received via Internet]

[FBIS Translated Text] Juan Rebolledo, under secretary of the Secretariat of Foreign Relations (SRE), said

yesterday that Mexico has not been "lukewarm" toward the United States, because concrete and specific efforts are made every day to ensure that Mexico can state its points of view and change final decisions. [sentence as published]

"The new understanding with the United States with the objective of implementing guidelines, making it easier to anticipate conflicts, as well as preventing unilateral actions does not denote weakness as a country. It would be a poor decision on our part to cling exclusively to recriminations against our neighbor," he said.

In an interview with REFORMA, the Foreign Secretariat official said Mexico is going to the third national meeting starting on 6 May with sufficient leeway to negotiate and discuss all issues, because the main tool to uphold the country's interests is still discussion and negotiation.

"If there is no dialogue, we run the risk of each side taking its own road and having the discussion turn into a relationship of coercion and force. Mexico is strong in its capability to deal with bilateral issues as well as its ability to influence," Rebolledo said.

According to the official, the SRI believes it is vital for existing positions not to divert attention and to resolve in-depth conflicts.

Rebolledo said during a previous news conference that the National Meeting does not plan on signing any specific agreements on migration issues, although he insisted that an understanding will be sought at various levels to ensure respect for the rights of illegal aliens.

He said the Mexican delegation will request the appointment of working groups specifically intended for the exchange of information on drug trafficking and money "laundering" so as to prevent any public announcement from undermining cooperation or being used for political purposes.

According to Rebolledo, between six and 12 agreements are being negotiated, but the final number and content of each will not be made public until the conclusion of the national meeting. He announced that there will be no special documents on the issues of migration and drug trafficking.

Mexico: Rights Group To Study Possible Abuse of Immigrants

PA0605014596 Mexico City LA JORNADA
in Spanish 3 May 96 p 1

[Report by David Aponte — received via Internet]

[FBIS Translated Text] In response to a request made by the Mexican Secretariat of Foreign Relations (SRE),

the Inter-American Human Rights Committee (CIDH) has agreed to investigate recent accusations of abuse and mistreatment toward Mexican immigrants and the situation experienced by illegal aliens along the Mexico-U.S. border.

According to several notes between the Human Rights Committee and the Foreign Secretariat, a delegation representing the CIDH, an organization under the Organization of American States (OAS), will examine, in situ, migration flows along the common border and the situation experienced by Mexicans preparing to cross into U.S. territory.

Juan Rebolledo Gout, deputy secretary for bilateral affairs, has confirmed to LA JORNADA that the CIDH had agreed to investigate the human rights situation of migrant workers following a request made by the Mexican Government less than two weeks ago prompted by the incident that took place in Riverside, California.

Throughout the history of relations with Washington, this time is first time the Mexican Government has asked the CIDH to intervene, and it comes after the SRE requested and persuaded the UN Human Rights Committee to issue a ruling condemning the abuses against and mistreatment of migrant workers and their relatives, regardless of their legal status.

For now, CIDH officials and Mexican Government representatives have begun discussions on setting dates, when the international organization delegation will tour the border, and visiting certain Mexican Consulates in the United States, SRE sources have stated.

Rebolledo also has said both governments are carrying out "serious discussions" to reach possible "understandings" with the objective of protecting and upholding the rights of Mexican migrant workers. Nevertheless, no deadline has been established yet to carry out this objective.

"This agreement is too important to us to condition it to a date. If it is not signed now (during the Binational Commission meeting), we will then determine when it can be signed or when we can have the type of agreement we seek. This matter is not an easy or swift one. We seek to be very careful in view of the repercussion it can bring about. As long as the discussion is constructive and continues to move ahead—and it is moving forward—there will be an ongoing negotiation. This is what our job entails, as well as reaching an acceptable agreement," the SRE official has said.

Deputy Foreign Secretary Rebolledo has said during a news conference that during the next Binational Commission meeting that will take place in the Federal

District on 6 and 7 May, the Mexican delegation will be requesting a "clear and open" response to the diplomatic notes on the Riverside and Temecula incidents as well as the anti-immigrant climate in certain U.S. sectors so as to present them to the public.

"This attitude is not a circumstantial one in the United States, nor can we assume it is exclusive. Of course, it has an influence on the political moments through which our neighboring country is going. It is much more critical, of a much longer duration. [no closing quotation mark as published]

"It is important for us to respond to Riverside, but it is more important to ensure that other Riversides do not take place. It is possible that we may never accomplish this goal, because these things depend on people's attitude. Nevertheless, we are going to ensure that incidents such as these do not take place frequently and that there will be concrete answers for when they do take place. This is the type of strategic objective we seek here," Rebolledo has said.

The ultimate objective of the Mexican consulates in the United States is to prevent U.S. local and federal authorities from violating the civil and labor rights of Mexican migrants, he added.

On drug trafficking, Rebolledo has said the Mexican delegation and Foreign Secretary Jose Angel Gurria will request that the U.S. delegation and Secretary of State Warren Christopher provide evidence corroborating the allegations, figures, and statistics disclosed recently by Thomas Constantine, director of the DEA, "which in some way carries political implications."

The Mexican Government is interested in ensuring that "figures" or "expressions" of this nature do not turn into "truths" that cannot be proven, he added.

Rebolledo has said the 13th Binational Commission meeting will have the opportunity to organize bilateral relations and to offer clear guidelines where "bilateral" and not "unilateral" relations will prevail in dealing with issues affecting both Mexico and the United States.

As for the itinerary, Rebolledo has said the U.S. delegation will arrive in Mexico on 6 May. In the afternoon, Gurria and Christopher will open the ceremony in Tlatelolco with their respective speeches, and the working groups will begin sessions in private immediately afterward. On 7 May they will announce the results of the meeting during a plenary session and, later on, will head toward Los Pinos Presidential Palace to sign the final minutes of the meeting and the bilateral agreements.

Mexico: Meeting on Immigration Begins With U.S.

PA0405223396 Mexico City Radio Red Network
in Spanish 2300 GMT 3 May 96

[Report by Rafael Jerezano; from the "Night Monitor" newscast]

[FBIS Translated Text] [Announcer Martin Espinoza] The 35th Interparliamentary Meeting between the United States and Mexico has begun in Zacatecas just as relations between the two countries have become more tense due to the situation along the border, for instance, the attacks on immigrants in certain California towns.

Rafael Jerezano reports from the city of Zacatecas.

[Jerezano] We are reporting from the former church of San Agustin in the city of Zacatecas. The inauguration of the 35th Interparliamentary Meeting between Mexico and the United States is under way. Deputy Augusto Gomez Villanueva, president of the Foreign Relations Commission, has delivered the opening speech.

Villanueva has said the Mexican Government is demanding with greater emphasis that U.S. authorities give prompt and serious attention to the problem and put an end to the violation of human rights in view of the increase in the number of violent and xenophobic incidents against Mexican immigrants in the United States. He has said that in order to find short-term formulas, regulations of coordination should be established among consulates with the objective of respecting human dignity and finding methods to allow illegal aliens to return safely.

In what he has described as one of the interparliamentary meetings that has attracted the greatest interest for the congresses of both nations, Gomez Villanueva has said the important point is to discuss common problems amid friendship, cooperation, and goodwill, always respecting sovereignty and international law.

The event began at the former temple of San Agustin with tributes paid to the flags of both countries. The national anthems of Mexico and the United States and the Zacatecas March were sung.

Let us listen to the opening of the event and the message Augusto Gomez Villanueva has delivered:

[Begin Gomez Villanueva recording] We are certain this meeting will lead to greater levels of understanding and cooperation. The legislators that make up the Mexican delegation are quite satisfied to be able to continue with this rich, political tradition that has been instituted like a bridge of understanding. [end recording]

Participants will discuss important issues such as immigration and human rights, cooperation to fight drugs, extradition treaties, and political affairs of the hemisphere, particularly the case of Cuba.

Let us listen to Humberto Roque Villanueva, president of the Permanent Commission of the Chamber of Deputies and president of the Mexican delegation, talking about the immigration problem:

[Begin Roque recording] It is of an origin that is absolutely economic in nature. He who migrates seeks an income and is not thinking about destabilizing the border; that is why we sincerely think the migration issue cannot be discussed if it does not include the human rights side. [end recording]

Mexico: Nation Said Working on Common Problems With U.S.

PA0505225796 Mexico City NOTIMEX in Spanish
2332 GMT 3 May 96

[FBIS Translated Text] Mexico City, 3 May (NOTIMEX) — Foreign Secretary Jose Angel Gurria said today the U.S. and Mexican Governments are working on long-term strategies to deal with common problems such as migration and drug trafficking.

The Mexican foreign secretary said during a radio interview that both countries are jointly assessing in a "more thorough" manner long-term ways to solve these problems, especially those linked to the migration of illegal aliens.

He acknowledged that the migration problem is one that "never ends but is just controlled, because it is going to be present all the time, just as it has been for as long as we can remember."

As for a bill approved on 2 May by the U.S. Senate with the objective of implementing strict measures to control illegal immigration to the United States, he said it is an issue pertaining to U.S. domestic policy.

Gurria said that even though the position of the Mexican Government has always been one of open disapproval of such measures, on account of the manner in which the United States handles the migration issue, the bill is still a matter pertaining exclusively to U.S. domestic policy.

Migration in Mexico is a structural problem that has persisted for a very long time, the foreign secretary said, ruling out the likelihood that the country's economic situation may be the main cause of this problem.

"The migration issue is a structural component of our relationship with the United States and takes place for

family, sociological, and historical reasons; therefore, there are well-defined networks that are not going to be disbanded simply by resorting to forceful measures," he said.

The U.S. Government, he said, has every right to apply and to have its laws obeyed, but the rights of migrants must be respected in carrying out such a task, regardless of the measures adopted at the domestic level.

Foreign Secretary Gurria said that meetings between both governments to discuss the migration issue are constantly taking place and through working groups.

He said the Mexican Government has instructed its consular officials in the United States to keep in close contact with U.S. authorities in order to ensure that the rights of illegal aliens will be respected when they are detained.

Closer contact between Mexican consulates and U.S. authorities has resulted in a significant decline in the number of incidents between illegal aliens and U.S. Border Patrol agents.

The Mexican Government is instructing its consular officials to gather information on the conditions at the crossing points along the border where illegal aliens are returned and to ensure that aliens are treated humanely and their rights are respected, Gurria said.

He said that struggling against organized crime, drug trafficking, and other common issues such as illegal migration requires more cooperation with the United States but always with respect for human rights and the country's sovereignty.

"Struggling against drug trafficking does not undermine our sovereignty; it gives us more strength and allows us to prevent this problem from affecting our ability to adopt decisions in Mexico, and this is of what sovereignty consists," Gurria said.

On the 13th Mexico-U.S. Binational Commission meeting that will take place in Mexico City on 6 and 7 May, he said high-ranking officials from both countries will be analyzing various issues affecting bilateral relations.

The binational meeting will hold 16 workshops, and topics such as migration and drug trafficking will occupy a prominent position on the agenda.

Mexico: Congressmen Inform U.S. on Pemex, Immigration

PA0505165396 Mexico City NOTIMEX in Spanish
0104 GMT 5 May 96

[FBIS Translated Text] Zacatecas, 4 May (NOTIMEX) — Mexican legislators informed U.S. congressmen of the inalienable character of Mexican Petroleum

(Pemex), which has a strategic value for the country from an economic and national security point of view.

The Mexican delegation to the 35th Mexico-U.S. Inter-parliamentary Meeting, which was held in this city, capital of the central state of Zacatecas, was responding to U.S. congressmen, who had asked about the possibility of privatizing Pemex.

The president of the Mexican delegation, Humberto Roque Villanueva, in a news conference held at the end of the meeting, stated that the participants had discussed topics such as immigration, trade, drug trafficking, and the Helms-Burton law.

Roque Villanueva noted that "according to Mexico, Pemex has a strategic value from the economic and national security point of view."

Roque Villanueva, who is also leader of the Grand Committee of the Chamber of Deputies, read a document containing the points of consensus of the Mexican delegation regarding various topics discussed with the U.S. congressmen.

As for immigration, the Mexican legislators said that the recent passage of reforms to the immigration law by the U.S. Congress "constitutes an action that could hurt the positive coexistence between the two countries."

In addition, it could "lead to a hostile atmosphere of xenophobia and persecution against Mexicans living in the United States," and that is why better detention methods and swifter, more complete information from Mexican consulates were demanded.

The Mexican delegation also proposed the signing of the International Convention of the United Nations for the Protection of All Migrant Workers and their Families by the congresses of both nations.

As for drug trafficking matters, the Mexican deputies and senators told their counterparts about their rejection of the certification policy adopted by the U.S. Government to qualify the efforts of other countries in the fight against this crime.

It "not only generates an atmosphere of confrontation and obstructs the search for solutions to the problem, but is part of legislation of obvious international consequences."

Roque Villanueva praised the efforts by the Mexican Government in the fight against drug trafficking and the importance of strengthening bilateral and multilateral cooperation to attack the problem in an integrated manner.

Roque Villanueva said the Mexican delegation informed the U.S. Republican and Democratic congressmen about

the need to promote cooperation to solve the problems faced by Mexicans in gaining access to the U.S. tuna, tomato, and avocado markets.

Controversies have emerged since the signing of the North America Free Trade Agreement that the mechanisms of the treaty itself have been unable to resolve, at least not with the expected swiftness and efficiency, Roque Villanueva said.

He added that the Mexican delegation also called for Chile's expeditious access to NAFTA and stated that Mexico has rejected the Helms-Burton law, which calls for greater sanctions against Cuba, on the basis of international law.

Roque Villanueva said that "no congress can claim the right to legislate matters having international repercussions."

Mexico: Official on Binational Meeting With U.S.

*PA0505220596 Mexico City NOTIMEX in Spanish
1709 GMT 5 May 96*

[By Jos Romero Mata]

[FBIS Translated Excerpt] Mexico City, 5 May (NOTIMEX) — During the 13th binational meeting scheduled to begin in Mexico City on 6 May, Mexico will define new rules and promote plans to allow the creation of a climate for a "cordial, constructive, and useful" good neighbor policy with the United States.

According to a diplomatic source, the Mexican delegation, headed by Foreign Secretary Jose Angel Gurria, will propose that Mexico and the United States, "in a civilized, productive, and useful manner," as "positive neighbors," seek an understanding over the immigration issue.

Deputy Foreign Secretary Juan Rebolledo has said that during the two-day, binational meeting, Mexico will promote the establishment of a consultation mechanism that will allow advancements in measures of understanding in the medium and long term.

For more than 18 months, experts from both countries have been working on a binational study on the immigration problem with the objective of "molding a joint outlook to overcome threats and scapegoats that divert attention from the main problem," Rebolledo added.

The immigration issue between the United States and Mexico was made difficult after three recent, violent incidents against undocumented Mexicans in California and Texas as well as after the U.S. Senate approved a strict law against illegal immigration.

The Inter-American Human Rights Committee (CIDH) has agreed to carry out investigations based on accusations by Mexico of alleged violations against undocumented Mexicans along the U.S. border.

The Mexican Government last week ordered consuls accredited in the United States to meet with U.S. border authorities to reinforce joint measures against violence along the border.

Immigration will be the main topic at the meeting between the high-ranking, official delegations from both countries headed by U.S. Secretary of State Warren Christopher and Mexican Foreign Secretary Jose Angel Gurria.

At the meeting, the Mexican Government will propose a revision of the methods and procedures for implementing U.S. immigration laws, the same source has said.

Other issues such as drug trafficking, dumps for toxic waste, trade, tuna, investments, tourism, and transportation are to be discussed at 16 workshops to reach cooperation agreements and to strengthen bilateral relations. [passage omitted]

Mexico: Zedillo Receives Delegates to Meeting With U.S.

*PA0505235596 Mexico City NOTIMEX in Spanish
1937 GMT 5 May 96*

[FBIS Translated Text] Mexico City, 5 May (NOTIMEX) — Mexican President Ernesto Zedillo today met with delegates who took part in the 35th Mexico-U.S. Binational Meeting that took place in the northern state of Zacatecas.

A communique issued by the Presidency stated that the meeting was attended by U.S. Ambassador James Jones and Jesus Silva Herzog, Mexican ambassador to the United States.

Chamber of Deputies President Humberto Roque Villanueva and Legislator Jose Luis Soberanes headed the Mexican delegation. The U.S. delegation was comprised by Senator Kay Bailey Hutchison and Representative Jim Kolbe.

Cristobal Arias, a senator of the opposition Party of the Democratic Revolution (PRD), said that it was stressed in the meeting that there will be a need to contact international organizations to present the topic of respect for the labor rights of migrant workers.

He said it was stressed in the meeting that the serious incidents that have taken place in the United States against our fellow citizens should not tarnish relations between Mexico and that country.

Arias said there was agreement among the Mexican delegation on the respect for the human rights of Mexican migrants as well as a search for ways of cooperation to prevent attacks and denigrating treatment of Mexicans in the United States.

Roque Villanueva said that the meeting with the president was a courtesy visit and that it stressed the great efforts made by the two countries, which although neighbors also have challenges to overcome because they are neighbors.

The legislator said it was stated in the meeting with President Zedillo that there will be high-level contacts between the United States and Mexico in the next few days to deal with the problems analyzed during the binational meeting.

Mexico: President Addresses Workers on May Day
PA0305163196 Mexico City XEW Television Network in Spanish 0300 GMT 2 May 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Before approximately 4,000 workers of the Labor Congress [CT], which is located at 44 Ricardo Flores Street, right in front of Tlatelolco, President Ernesto Zedillo said that the unity of the labor sector has been essential to keep the country stable.

[Begin Zedillo recording] Today we have the first indications that, even though production is moderate, it is beginning to recover and grow in various sectors of our economy. Today we also have the first indications that employment has begun to recover. [end recording]

The labor, public education, and communications and transportation secretaries and the top CT leaders accompanied the president, who added that his government will promote more social programs, the construction of better homes, and health services.

At the event held to mark May Day, there were four speakers. Manuel Cadenas, CTM [Confederation of Mexican Workers] Executive Committee adviser, pointed to the alliance between workers and the government. Other union leaders asked President Zedillo to stabilize prices, increase wages, and promote more sources of jobs. Several banners displayed messages supporting the president, while others recalled the martyrs of Chicago, Rio Frio, and Cananea. In another banner, state employees demanded that their wages be immediately increased by 12 percent, as was agreed in the Alliance for Economic Recovery.

CT President Rafael Riva Palacio affirmed that the worker movement's achievements are irrevocable and that it is up to the new union movement to defend

them and expand them. Riva also said that the new CT president will be elected on 8 May.

Mexico: President Calls For Unity of Workers
PA0405034996 Mexico City NOTIMEX in Spanish 1844 GMT 1 May 96

[FBIS Translated Text] Mexico City, 1 May (NOTIMEX) — President Ernesto Zedillo today called for the unity of workers, which has been fundamental in maintaining stability and which should continue being the basis for economic growth providing jobs, opportunities, and equality.

Presiding over the official Labor Day ceremony at the headquarters of the Confederation of Mexican Workers (CTM), the Mexican president said that is why his administration has chosen a path without false avenues and demagogic solutions.

Zedillo told the nation's labor leaders that this path is more difficult but is a clear and certain path offering opportunities and equality and, above all, perseverance in the recovery and production of jobs.

Zedillo said that the workers did not want to live in an economy subject to recurring crises, short periods of growth vulnerable to company closures and the loss of jobs but that workers want to be a part of a solid and vigorous economy.

The president told representatives of the labor unions constituting the CTM, lead by CTM President Rafael Rivapalacio Pontones, that the damage caused by the crisis cannot be repaired totally and immediately.

"We are firmly building a better future without boasting and with confidence in the measures that have been taken," Zedillo said during the ceremony. Members of Zedillo's cabinet also attended the meeting.

"The workers and administration know we should not confuse the start of the economic recovery with the immediate and automatic restitution of what we have lost," Zedillo said.

Zedillo said "the administration understands that many people would like to make faster progress, with an impetus that would garner easy praise, at a risk of being less sound and falling quickly into a new crisis." This false stimulus will only bring an apparent and temporal relief to the crisis, which will vanish almost immediately in a weak and vulnerable economy that is incapable of sustained growth, Zedillo added.

President Zedillo said there are signs at this moment that the jobs market is beginning to recover.

At the end of the Labor Day celebrations, President Zedillo returned to his official residence at Los Pinos where he will engage in personal activities.

Mexico: Money Laundering in Banks, Exchange Houses Viewed

PA0405010296 Mexico City REFORMA in Spanish
29 Apr 96 p 1

[From the "Coordinates" column by Enrique Quintana: "Is Money 'Laundered' in Banks and Exchange Houses?" — received via Internet]

[FBIS Translated Text] It is a matter of fundamental logic: It is not the same to have evidence on the existence of something than to deny its existence, but authorities and bankers sometimes lack the most fundamental logic, because they appear to react instinctively rather than wittingly.

The statements by Mr. Thomas Constantine, DEA director, that banks and exchange houses in Mexico have "laundered" drug trafficking money have triggered an authentic storm.

We came close to organizing a ceremony to compensate for the offense at the Independence Monument, given the indignation and rejection the remarks have prompted.

If we put political considerations aside, do you believe that someone may put his hands in the fire for all banks and exchange houses in Mexico? If Cabal Peniche, Angel Rodriguez, Julio Mariscal, just to name a few, did whatever they wanted, who can guarantee that drug traffickers are not using banks and exchange houses to legalize their money?

Indeed, the intention of the DEA and its director was perhaps to hammer Mexican authorities. That is possible, but we must not confuse one thing with another and give a political response to an event that is very likely to have occurred and for which there has been different evidence for years.

We will present just three examples:

- On 4 April of last year, special DEA agent Thomas Clifford explained the results of the infiltration in the "Operation Green Ice" that led to the arrest of 88 people and the seizure of over 6 tons of cocaine. Clifford said the money from the drug trafficking operations ended up in an exchange house in Tijuana, where deposits were made to Bancomer, Banamex, Serfin, and the Inverlat exchange house. The operation led to the apprehension of four exchange house owners: Fernando Arce, Guillermo Perez, Manuel Vega, and Roberto Venegas.

- In 1990, the PGR [Attorney General's Office] also discovered in Tijuana the collusion between Ruben Contreras, manager of international affairs of Banpais in the city, and Alejandro Silva and Ignacio Gonzalez, directors of the "El Arbol del Dinero" exchange house, to launder money from drug trafficking activities.

- The Colon Exchange House in the city of Monterrey was closed due to its involvement in money laundering operations carried out by American Express executives Antonio Giraldo and Maria de Lourdes Reategui.

One of the most commonly used techniques in money laundering processes, according to Mexican and U.S. experts, is the creation of front companies for legal activities but, rather, with the purpose of laundering money from illicit activities. This method was frequently used by Mariscal and Cabal in the fraud perpetrated against Havre and Banco Union.

Mr. [President of the Mexican Association of Bankers Jose] Madariaga: How does a bank know that the alleged businessman who is going to make a specific deposit on behalf of his corporation has nothing to do with illicit activities? Let us not cheat ourselves. There is no way of knowing.

The old story of the drug trafficker who runs his business using cash is very good for the movies, but no large bags of money have been found in the confiscations carried out by the PGR. No, drug traffickers have checking accounts in Mexico and abroad, of course, in the name of third parties.

When we talk about the "underground economy," we usually think of street vendors. Nevertheless, drug trafficking is possibly the fundamental piece of the informal economy in Mexico.

Large sums of money are part of corruption, investments in various businesses, bank deposits, and the "working capital" required to keep this "industry" moving.

The fact that few money laundering operations have been detected in Mexican banks does not mean they do not exist, especially considering the fact that there are few controls to monitor depositors.

Just think about how much someone bringing money to the bank can be investigated even if those to whom banks have lent money were not adequately investigated and bad loans were made, the consequence of which we are paying today.

Before urging a collective lynching of Constantine, or, in general, against those who criticize us from abroad, perhaps it would be useful to evaluate what they are saying, and in this particular case, it would be useful

to introduce the means that would allow authorities to detect these operations more frequently and in a timely manner.

Truce

D-Day has come. The judicial truce expires tomorrow. Banks must release their mastiffs (mastines) and file legal charges against those who have refused to restructure their debts. We hope prudence can prevail. If legal firms launch a campaign of intimidation against debtors once more, the result will be to heighten tension.

If there is a desire to negotiate, the judicial truce must not only be expanded but must even become permanent. If the debtor himself initiates a juridical process, both he and the bank will have to deal with the consequences, but we must not confuse he who wants to negotiate with a criminal; otherwise the social atmosphere will deteriorate.

Mexico: Agreement on Group To Protect Immigrants Signed

PA0605001096 Mexico City NOTIMEX in Spanish
2002 GMT 5 May 96

[FBIS Translated Text] Tapachula, 5 May (NOTIMEX) — Authorities of Mexico's National Migration Institute (INM), the Chiapas state government, and the Government Secretariat have signed a cooperation agreement to establish a group to protect immigrants. "Beta-Sur," will operate along Mexico's southern border, as it is done along the northern border, to prevent violations of the human rights and personal safety of Central American illegal aliens, Government Under Secretary Cesar Becker Cuellar has said.

He has recalled that President Ernesto Zedillo had proposed the creation of this institution, which seeks to guarantee full protection of the human rights of Central American immigrants who come into this country through the southern border.

Immigrants will have the right to enjoy this benefit regardless of their migration status and will be protected by a group formed by the state's judicial police and public security agents as well as municipal police agents, Becker added.

The under secretary of population and immigration services has said the Beta-Sur group will operate in the region of Soconusco, located in the southeastern state of Chiapas.

The official has said the creation of this group is the result of the promotion of objective immigration policies. Governor Julio Cesar Ruiz Ferro and INM Commissioner Fernando Solis Camara have attended the

signing. Becker has said the Mexican southern border is a point to meet with sister nations from the Central American isthmus. "In order to obtain fruitful working results, a special immigration supervisory group will be formed to ensure that those in charge of these duties will lawfully perform them, with the cooperation of the National Human Rights Commission," the under secretary has said.

As a complement, the drafting of an immigration booklet is being analyzed. Immigrants arrested in Mexico will read this booklet, which will include information on the rights foreigners have in the country and the authorities to whom they may go.

Governor Ruiz has said the main objective of the Beta-Sur inter-institutional group is to conduct preventive surveillance operations and to fight the crimes to which these immigrants are subjected. "We must not forget that Mexico is believed to be the older brother of the Central American family; this is why the treatment of immigrants must be provided within the fraternal sentiment that has always characterized us," the state official has said.

He also has said that Mexico's longest border with Central American countries is located in the Chiapas territory and that "it is in this Soconusco region where there are more multilateral relations and more flows of immigrants coming from these countries."

According to official figures, the individual rights of at least 250 people who cross the Mexican-Guatemalan border in a day are violated as they fall in the hands of criminals who steal from them or subject them to other types of violations.

Mexican Ambassador to Guatemala Salvador Arreola and Guatemalan Consul in Tapachula Valdemar Cuevas also attended the signing.

Mexico: Banxico Report Urges Keeping 1995 Economic Policy

PA0305234596 Mexico City NOTIMEX in Spanish
1734 GMT 1 May 96

[FBIS Translated Text] Mexico City, 1 May (Notimex) — The Bank of Mexico (Banxico), the country's central bank, stipulated today in its 1995 annual report that the country's economic recovery will be complete if the government continues to apply the economic program adopted last year.

According to the financial institution, the strategy adopted last year has contributed to the amending of imbalances caused by the interruption of capital flows from overseas to Mexico during the final months of 1994.

Nonetheless, Banxico recognized that "this does not mean that all of our problems have been solved, but only that it would be unfair not to acknowledge that some progress has been made."

The institution added that "benefits stemming from the stabilization and structural change policies, particularly in terms of a general increase in social welfare, need time to become a reality."

In this same context, Banxico believes that it is essential to continue encouraging fiscal discipline, monetary moderation, economic opening, deregulation efforts, as well as to promote efficient markets.

The annual report stipulates that one of the main objectives of the economic program implemented during 1995 was to cut the social costs of the crisis and, particularly, offset its effects on the standard of living of the most unprotected sectors of society.

Banxico acknowledges that some progress has been made in this respect, but there is no doubt that the costs in terms of inflation and unemployment would have been greater had the government not adopted a stabilization program.

With respect to monetary policy, the Banxico report stipulates that "it is indispensable to continue with the struggle against inflation. If, under current circumstances, the Mexican Central Bank were to decide to modify its policies and release a greater supply of money, it would still be insufficient to spur more economic growth."

The report cautions that should a different program be adopted, the negative impact would be immediate "capital flight, devaluation of the currency exchange, more inflationary pressures, and increase in interest rates."

It is for this reason that the current monetary policy contributes more to economic growth and employment when it is specifically directed at ensuring general price stability, the financial institution stipulated.

The economic strategy followed as of 1995 placed a special priority on cutting inflationary pressures, nevertheless, this does not mean that reducing inflation is being viewed as an end in and of itself, the document stresses.

Among the main stabilization and macroeconomic reorganization successes achieved during 1995, the Central Bank highlights that the government was able to secure funds to replace short-term foreign currency obligations scheduled to mature throughout last year.

Likewise, the report points out that by December 1995, the government was able to bring down the annual

inflation rate to less than half the level of devaluation of the peso during December 1994.

Within the context of the government's floating exchange rate policy in effect during prolonged periods throughout 1995, it was possible to ensure a relative stability of the exchange rate, reduce interest rates and, lower inflationary expectations.

This is evidence that "in itself, the floating exchange rate policy has not resulted in more instability," but that when implemented together with coherent fiscal and monetary policies, and in the absence of destabilizing social or political factors, it does help to stabilize the economy.

The Central Bank contends that in order to achieve economic growth it is critical for structural reforms to be carried out in areas such as railroads, ports, airports, telecommunications, pension funds, etc.

Mexico: Interest in 'Destabilizing' Government Viewed

*PA0305163396 Mexico City EL FINANCIERO
in Spanish 30 Apr 96 p 44*

[Unattributed editorial: "Jumanji" — received via Internet]

[FBIS Translated Excerpt] In a number of private meetings in the Los Pinos presidential palace in the last three months, the discussion has centered on the existence of various groups interested in destabilizing the government by spreading rumors, such as the rumor spread by Dow Jones, which edits the WALL STREET JOURNAL, on Friday, 3 November 1995, when it published an article regarding an alleged military coup d'etat in Mexico which caused uneasiness in the financial and money markets.

On several occasions, Mexican Government Secretariat Emilio Chuayffet, has expressed concern over these kinds of media reports, which he says are unfounded, according to which the Zedillo administration might not end its constitutional mandate because the country continues submerged in an severe economic crisis in which people feel hopeless because they do not see a short-term solution on the horizon, and they are not aware of any official program that will change the views of the economic experts and the Mexican people.

The same voices that warn or alert agree that as long as General Enrique Cervantes Aguirre heads the Secretariat of National Defense, what the Salinas Wall Street so maliciously predicted will not happen. Gen. Cervantes has been the leader in the pacification of Chiapas preferring the use of social service to the use of arms, and the guarantor of national security.

Perhaps, because these articles are published both in the country and abroad, certain distrust persists within the Zedillo staff, which wants to keep everything under control. For more than five decades there has been no military insurrection, there are honor and an obedience codes which must be observed. This comes to mind because in a few days Gen. Miguel Angel Godinez Bravo, former presidential chief of staff and current director of the Armed Forces Security Institute [Instituto de Seguridad de las Fuerzas Armadas], could be retired and automatically removed from his charge.

The supreme command's decision is based on the fact that Gen. Godinez, who was also stationed in the 31st military zone based in Chiapas, in late February, shortly before and after the flare-up of the Zapatist conflict in that region, led a group of 26 officers, including brigadier generals, lieutenants, colonels, and majors — without consulting his superiors — on a visit to former President Jose Lopez Portillo to wish him well following his recovery from a recent illness.

The problem is that in the Defense Secretariat not even a leaf trembles without [passage indistinct]. That is why it is no secret that Gen. Godinez will be leaving shortly, "because he has reached the obligatory retirement age." At present, a number of officers who accompanied Gen. Godinez to Lopez Portillo's house have been suspended, and it is believed they will suffer the same fate as Godinez, perhaps not on the same day, or the same month, however, it will be this year.

Things are moving fast, in fact, it is said that the new director of the Armed Forces Security Institute will be Gen. Alvarez Nava, currently the chief purchasing officer of the National Defense Secretariat, and favorite [compadre] of Gen. Enrique Cervantes. [passage omitted]

Mexico: EZLN Member Sentenced to 13 Years in Prison

PA0405040096 Mexico City Radio Red Network
in Spanish 2300 GMT 3 May 96

[Report by Alejandro Ruiz from San Andres Larrainzar]

[FBIS Translated Text] Javier Elorriaga Verdegue, who yesterday was sentenced to 13 years in prison after

having been found guilty of being member of the EZLN [Zapatist National Liberation Army] leadership, as well as of the crimes of terrorism, conspiracy, and rebellion, announced this afternoon that he already began taking steps to appeal the sentence, which he described as completely unfair.

In addition, Elorriaga Verdegue asserted that he had been the victim of a political trial.

Interviewed in his cell at the Cerro Hueco Prison, in the city of Tuxtla Gutierrez, Elorriaga Verdegue pointed out that the verdict came as a surprise since the crime for which he was accused and later convicted does not correspond to the political times Mexico is currently experiencing.

Nevertheless, he added that the Mexican justice system and particularly the Office of the Attorney General of the Republic persisted on the accusations.

The man who contends that he had only been a courier between the Federal Government and the EZLN leadership, pointed to the scores of evidence contradicting the verdict regardless of allegations by the judge that he had all the necessary evidence. Alorriaga Verdegue, on the other hand, continues to insist that the judge has no such evidence against him and that he is innocent.

The EZLN member contends that he is convinced that the verdict is an outright injustice since the sentence is more fitting to a political trial and that terrorism is not part of the country's political life.

He added that he has never been aware of the EZLN having any terrorists groups within its members.

Javier Elorriaga Verdegue is confident that he will not have to spend 13 years in prison since the verdict issued by Judge Juan Alcantara Moreno does not fit Mexico's political climate or its democratic aspirations.

El Salvador**El Salvador: President Cited on UN Mission Extension***PA0505025096 San Salvador EL DIARIO DE HOY in Spanish 1 May 96 p 6*

[FBIS Translated Text] A new chapter in Salvadoran history was supposed to begin today with the departure of the UN observers. Their departure, in turn, was supposed to mark the final implementation phase of the Peace Agreements, but a new delay in fulfilling certain commitments has forced a small group of personalities, including a UN representative, to extend its verification mission.

President Armando Calderon Sol was not concerned about breaking the latest deadline to finalize the agreements. Instead, he has assured that he is pleased that the UN Mission in El Salvador (MINUSAL) will become a UN Verification Office (ONUV). The change will sharply reduce the number of observers to approximately three or four.

Calderon is convinced this transformation should be remembered as "a special day" by the Salvadoran people. He has said: "We have reached the joyous conclusion of this phase. It is enormously significant, for we have achieved peace and are making progress in strengthening our democratic process."

He has said that the pending matters should not be a cause for concern, because the commitments undertaken by the signing of the January 1992 agreements are being fulfilled.

Calderon Sol added: "On behalf of the Salvadoran people, we have extended our deep gratitude to the United Nations. I believe the Salvadoran people have written a new page in history. We also thank the international community for its understanding and cooperation."

UN Secretary General Butrus-Ghali asked the UN General Assembly yesterday "to extend the UN presence in El Salvador...until late 1996."

The new verification office begins operating today. A top level, UN envoy will fly down periodically to meet with experts whose duties have been described as "those of verification and good offices."

He will be responsible for filing progress reports on four points still pending: public safety, legislative and constitutional amendments, the property transfer program, and the rural settlements problem.

"We Have Gained Credibility"

On the same topic, Nationalist Republican Alliance (Arena) President Juan Jose Domench has said the few

remaining observers are an indication of credibility in his party.

Domench has said: "The fact that the Arena party is in power affords us added worldwide credibility, because the United Nations has downsized its office. This shows that the process has been successful, and Arena has fulfilled its duty."

El Salvador: President's Labor Day Speech Said 'Demagogic'*PA0505040596 San Salvador CO LATINO in Spanish 2 May 96 p 3*

[Report by Fidel Chavez]

[FBIS Translated Text] The Farabundo Marti National Liberation Front (FMLN) today described the president's International Labor Day speech as demagogic and removed from the country's reality.

"The government has delivered a demagogic speech, and, worse still, this is one of those things that have caused a loss of confidence among the country's labor and economic sectors," FMLN Deputy Oscar Ortiz said.

Ortiz, a member of the Agriculture and Economy Commission of the Legislative Assembly, said that even though the president recognized the Salvadoran workers laboriousness and the importance of the Salvadoran workers to the country's economic and social stability, the problem is the existing distance "between the speech and the facts."

A similar opinion was voiced by alternate Deputy Jose Leoncio Pichinte of the Democratic Party who said that things are measured by results and that these results are contrary to the president's speech.

He said the government lacks a clear, defined policy on unemployment, which invalidates the speech on that point. Pichinte said this can be seen in the privatization process of state assets and services, which he believes will bring about unemployment and thus be detrimental to workers.

"It seems more like (Calderon Sol) wants to cause a propaganda impact, but what really exists are worsened economic and social conditions among workers," Pichinte said.

In his speech commemorating International Labor Day, Calderon Sol highlighted the laboriousness and contribution of the workers to the country's economic growth. "Today, on International Labor Day, I want to recognize the great efforts of the Salvadoran workers. You, who rise early each day, are also raising our country with your efforts and leading it toward development," the

president said eloquently via a radio and television network.

"What we have seen and have learned in the two years of Arena [Nationalist Republican Alliance] government is just the opposite of what the president said last night," Ortiz said. "What we have had here is a policy of massive dismissals, unemployment, increases in confrontation levels against the labor movement," the legislator said.

He said he had information that in several firms "attempts are being made to undermine the workers' organization and rights." Ortiz said the narrowing gap of solutions to labor problems, such as the Economic and Social Forum (which resulted from the Peace Accords), has worsened the situation to such an extent that it has left workers with no other option but to protest.

The FMLN deputy said the government maintains a policy of confrontation with the workers, which harms their family budgets and causes labor protests.

To Declare the Peace Accords Accomplished Is an Act of Arena Irresponsibility

Referring to the Peace Accords, Ortiz said they have not been complied with, as the government claims.

As far as the deputy is concerned, the government has acted irresponsibly, because it was its fault that the agreements were not fulfilled by 30 April, as scheduled.

"The government has been irresponsibly stating that the Peace Accords have been fulfilled and that the UN Mission in El Salvador (MINUSAL) also has complied with its mandate, something which is not true," Ortiz reiterated.

"We would have liked a 100 percent compliance with the Peace Accords by this date, but it was impossible because of noncompliance, delays, and the government's refusal to expedite these pending topics," the deputy said. "We know that the strengthening of the PNC [National Civilian Police], the transfer of land as far as issuing deeds is concerned, the constitutional and electoral reforms, and the reinsertion of former fighters are not complete," the legislator said.

Referring to the UN role in verification or the verifying institution to replace MINUSAL, Ortiz said it must comply with the mandate of monitoring and controlling total compliance with the accords.

In this regard, added Ortiz, an agreement has been reached that the mission should remain in the country with a reduced staff but that it should guarantee that the remaining points are complied with.

Ortiz expressed the need for the pending Peace Accords to be complied with. He believes they should be fulfilled within a term not exceeding the current year.

He said the ruling party should stop postponing compliance with the pending points.

As an example, the legislator cited the fact that Arena has used the recently approved Emergency Law as a way to block compliance with reforms to the Penal Code and the Penal Procedural Code, as established in the Peace Accords.

Guatemala

Guatemala: Ministry Asks For 6000 Rights Abuse Reports

*PA0405025896 Panama City ACAN in Spanish
0139 GMT 4 May 96*

[FBIS Translated Text] Guatemala City, 3 May (ACAN-EFE) — Official sources reported today that the Guatemalan Foreign Ministry has asked its ambassador to Washington to obtain and "immediately" forward nearly 6000 U.S. official reports on cases of human rights abuse in Guatemala.

Deputy Foreign Minister Gabriel Aguilera told reporters that the Guatemalan Embassy has been instructed to "ensure" that it immediately obtain such material and forward it to the government.

State Department Spokesman Nicholas Burns explained that the reports were turned over today to the U.S. Congress, the victims or relatives of those who suffered abuse, and Guatemala.

Aguilera, however, stated that he has had no official word on the receipt of the reports corresponding to the period between January 1994 and March 1995.

According to Burns, the members of the Senate Intelligence Committee and the Chamber of Representatives received 100 percent of the reports on file at the State Department, but acknowledged that 8 percent of them will not be made public because of national security concerns.

Guatemala: Finance Minister Speaks on Fiscal Situation

*PA0505015696 Guatemala City Radio and Television
Networks in Spanish 0330 GMT 1 May 96*

[Speech by Public Finance Minister Jose Alejandro Arevalo; place, date not given; monitored in progress — recorded]

[FBIS Translated Text] ...competition, respect for consumer rights, globalization, and the improvement

of national competitiveness and productivity, making Guatemala a country of owners and the modernization, expansion, decentralization, separation, and simplification of the public sector.

President Arzu has said in his inaugural speech that the basic, economic guidelines can be summarized by saying that the country will advance toward the fulfillment of two great tasks that are closely interrelated: Fighting poverty by means of a productive economy that will provide dignified and well paying jobs and guaranteeing a fiscal system capable of securing the necessary, healthy resources for state projects. Those tasks should concentrate on providing the basic services and infrastructure for the people and guaranteeing public security.

This government has received a budget of 11.107 billion quetzales for 1996 approved by the previous government; this budget must be financed mainly through taxes, which we believe were overestimated, something which we have corroborated, because taxes collected during the first quarter of this year produced an income below the budgeted amount. Estimates previewed a dramatic change in tax revenues. The budget we received calls for the spending of approximately 6 billion [currency not specified] in salaries and expenses, 3 billion [currency not specified] in structural investments, and 2 billion [currency not specified] to pay debts.

The truth is that the national budget does not reflect our reality. We want to have a government that will give us security, justice, education, health, and a good infrastructure, but we have not been willing to pay for it. Out of each 100 cents all Guatemalans produce a year, not even 8 cents are used by the state. Meanwhile, in countries where we admire the quality of public services, in Europe, for example, 50 percent of the GNP is used to sustain the government and in Latin America, approximately 20 percent.

Guatemala has the lowest taxes among all Latin American nations. Evidently, under those circumstances, we cannot expect to have a better government with the necessary resources to give quality services to the people. It is not because we have not experienced economic growth but, rather, because the state has been unable to collect the necessary taxes. We have experienced economic growth, but the state has not received any part of it; consequently, it has been unable to respond adequately to the people's needs.

We discovered three things when we received the government: The state owes almost 1.26 billion quetzales for expenses incurred last year, which are known as floating expenses. There is no money, not even to pay the salaries of public employees. Government bonds due in 1996 surpass 3 billion quetzales.

Because state revenues are not enough to cover expenses, the government becomes indebted abroad and domestically. The Bank of Guatemala [Banguat] used to lend money to the government in the past. If the state set a budget but allocations were enough to cover only one part, then bonds at 15 years maturity and with interest rates below those of the market were issued. Banguat and the government would exchange those bonds for newly printed bills. The problem was that this situation has prompted the circulation of excess of bills worth less value in the economy because the government was demanding more and more. Evidently, it was easier to call the bank president and ask for more bills than to take care of expenses or collect more revenue.

A wise decision was made in 1994 to restrict loans by Banguat to the government in order to stop the printing of more bills. The problem was that the government revenues were not enough to cover expenses. As in the past, the Finance Ministry approached Banguat to allocate its bonds and to ask for the usual [word indistinct], but the bank did not provide any more money to the government because of the constitutional ban. Because of the need, the government had to sell its bonds [word indistinct]. Several investors and bankers accepted the bonds with skepticism, not at 15 years maturity or with low interest rates as before but, rather, in the short term, sometimes even at three months maturity and with high interest rates that were competitive in the market; therefore, 70 percent of public [word indistinct] debt matures in less than one year. This situation prompts the payment of very high interest rates.

We must not forget that money is used to invest in social programs such as education, health, and infrastructure. We must also remember that money cannot be recovered in one or two years; it takes many years.

Our situation is so dramatic that Banguat keeps 51 cents of each quetzal we collect to pay the debt so those who invest in bonds and certified bonds will be able to receive their pay on time; that is why state bonds are a sure thing and have always been paid, but because the public debt is so high and has a short-term maturity, half of what the government collects is spent on servicing it. We are only using 22 cents to pay public officials, 8 cents are saved to try to meet constitutional requirements, and 5 cents are used to pay the foreign debt. The 11 cents left are used for other operational costs and special investments.

This situation is not a new one. It has gotten worse with the years. We believe Guatemalans have the right to know about this situation, but we also know we will

be willing to resolve it and to free the next government of this situation if we have your support.

In addition to the aforementioned fiscal situation, for years we have been constantly putting off a problem. I am referring to the growing Bank of Guatemala [Banguat] debts and accumulated losses. This problem dates back to the end of the 1970's when people who felt mistrust took their money out of the country due to the political situations being experienced in Central America; this substantially reduced private investment. The country's international, monetary reserves became depleted, and Banguat began falling into debt and increasingly incurring losses because no one wanted to admit our currency's parity could not be maintained.

Banguat began operating just like in [words indistinct] store. It would issue one and purchase three. Corrections did not start taking place until the mid-1980's, but the government continued to have a fiscal gap between its expenditures and what it collected. The government attempted to collect additional taxes but was unable to do so. The government was neither able to obtain loans at home nor abroad. The way the government dealt with this situation was to issue the pieces of paper called bonds, as I already mentioned, that were handed to Banguat in exchange for fresh quetzales; that is, printing your own money.

The result of those excess quetzales in the economy is known to all. Inflation surpassed 60 percent the last year of the past decade, and our currency became devaluated by more than 45 percent. Inflation is like a cruel tax, because it especially affects the poorest. Because there were more quetzales in the economy than what there should have been and in order to stop prices from rising so quickly, Banguat had to offer the people high interest rates so as to convince Guatemalans to keep their money in the bank. These Guatemalans were then paid, once again, by using the famous little printing press. Thus the problem worsens every year.

The consequences are that interest rates remain very high, which discourages investment, particularly in the real sector of the economy [en el area del sector real], the sector that can generate the most jobs. These high interest rates have the defect of guiding people to invest in the financial sector, in certificates, instead of in businesses.

In the old days, when a Guatemalan managed to have a few cents, he invested them by purchasing a plot of land to make it produce or start up some business or industrial plant that generated jobs for him and others, but now he looks up the advertisements of the daily newspapers to find out which bank pays the highest interest rates or invests his money in

resorts or in Banguat open market operations. In other words, we have been placing greater importance on the financial sector than the economy's real sector, primarily due to the high interest rates. High interest rates prevent people from purchasing a home via long term payments, because interest rates would be overwhelming. Entrepreneurs, likewise, cannot expand their installations or create new businesses.

We cannot forget that Banguat is a state-owned institution; therefore, the accumulated losses and the growing debts actually belong to the state; that is, the treasury and, therefore, all Guatemalans.

This is much like a dam that stores more and more water each year, and to be able to store the additional water, a line of bricks needs to be added, and it grows and grows. This structural, monetary problem of Banguat is something we must begin to resolve, and it will obviously take time. We must remember that this dam was built over a period of nearly 15 years, but we cannot continue putting off its dismantling; this implies an unplanned, fiscal support.

We are paying this cost anyway, but instead of paying it in a clear and open manner, through taxes and special income, which is unpopular, of course, we are paying it in a way that is apparently less traumatic and obvious but worse in the long term. It condemns us to poverty, because we are paying it with the loss of productive investment opportunities and an absence of jobs.

What the government is doing is speaking to you with the truth and speaking clearly in order to make decisions that although difficult are adopted with seriousness and responsibility.

Of course, we could continue to conceal things and put off the serious problems afflicting our country, but I believe you have elected this government to transform Guatemala, to improve it, to achieve medium- and long-term results even though this means taking measures that are unpopular in the short term or affect those who benefit from the current situation.

We in the government are proposing in-depth solutions but can only put them into practice if we work together. These measures should have been taken years ago. We have taken too long. We are certainly behind schedule; thus, we must immediately start trying to recover lost time.

Even though our economy continues to grow and Guatemalans continue to work hard, trust the future, and invest the fruit of our efforts for the benefit of our children and grandchildren, we cannot afford the luxury of postponing in-depth solutions.

The special tax is something undesirable that we have been forced to propose; it bothers us all. It is truly a special sacrifice we had not planned to request, but it has become a matter of urgency due to the serious situation we have found. You can be certain, however, that there are important, in-depth reasons for this action to ensure that the state has the necessary, constant income to carry out works for the benefit of all. That is why we are going to facilitate and simplify tax payments, but we also will improve the state's coercive ability to collect taxes from those bad Guatemalans who do not comply with their tax obligations. Those taxes will be used properly, and you will be the best comptrollers of public coffers. Although the treasury is in a bad state, it could be well; just as our economy is well, it could be better.

We believe the best formula to fight poverty is for the economy to be capable of generating productive, proper paying jobs. That is why there are five key elements: first, clear rules; second, clear and consistent policies that will attempt to lead us from a mainly financial economy to a productive economy in which domestic and foreign investments are placed in the real sector, generating new and better jobs; third, that the government be a good one, that it function properly, doing only what it is supposed to do and doing it right; fourth, that the productive sector, both the business as well as the labor sector, modernize and become more competitive; fifth, just like a successful recipe, that all Guatemalans work together with a nationalistic drive and with the same dream and same outlook, supporting one another; that the good Guatemalans, a majority, come together against the bad Guatemalans, who are a few, in order to advance with decisiveness, courage, and bravery down the path to transform our country and be ready to welcome the new millennium in better economic, political, and social conditions than the current ones.

Honduras

Honduras: Reina Delivers May Day Address to Workers

PA0405210396 Tegucigalpa Radio and Television Networks in Spanish 1200 GMT 1 May 96

[Address by President Carlos Roberto Reina on the occasion of May Day, in Tegucigalpa on 1 May; from the "Morning Paper" newscast — live or recorded]

[FBIS Translated Text] Compatriots, we are marking this 1 May, International Labor Day, amid public sector demands for higher salaries. We have offered an open dialogue and a civilized method for negotiation. We have sat down with these public servants to listen to

their aspirations and to try to please them to the extent of the state's financial capabilities.

We understand the demanded increases to a great degree reflect the reality of an economy that is recovering but must still overcome inflation and unemployment. Amid these circumstances, it is not easy to provide jobs as we would like to. We are, however, determined to meet all these demands through funds available to public administration and in keeping with state revenues.

As for the public sector, we will continue to promote a process to reach a consensus on the sector's interests at the forum created for this purpose in hopes that the main players, that is, workers and businessmen, will find through their own efforts the rapprochement and conciliation formulas the nation requires.

We all need to clearly understand the present state of labor-management relations in this world of globalization and regional integration. In the new culture of economic and social development, labor and business forces that were previously antagonistic toward each other will now reconcile positions to participate united in the difficult competition to conquer markets.

This is the real goal of social pacts signed in various countries around the basic idea that underdevelopment is the great enemy of the people's prosperity and the main factor responsible for social inequality. Absolutely everyone of us is responsible for underdevelopment. Social pacts do not run counter to the market; quite the contrary, they aim to neutralize the harmful effects of adjustments by implementing healthy economic practices. Pacts help a great majority of players in an economy create the conditions for an appropriate economic take-off amid unfavorable conditions.

The basic goal is to ensure that everyone participates in drawing up the plans of the country we want to build. The National Convergence Council is the appropriate arena to do this. Let us respond to this opportunity in history from our respective trenches. The first of May is a proper day to reflect on such things and for the working class to express with absolute freedom its thoughts and feelings about the country and government with no limits other than those established by public order, good customs, and ethics.

Male and female workers of Honduras have a long tradition of struggle for their rights and freedoms. Their nationwide efforts created a militant and active unionism that no one can overlook in our history. On various occasions we shared their struggles from professional and political positions, and we continue to believe that the full achievement of their collective aspirations is a very dignified goal of good Hondurans.

Greetings, struggle companeros, male and female workers; you can rest assured that the president of the Republic will not fail his people. Thank you very much.

Honduras: Army Official Justifies Enhanced Border Security

PA0505162296 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 3 May 96

[Report by Lucia Alvarado; from the "Morning Paper" newscast]

[FBIS Translated Text] Salvadoran officials recently described as unnecessary Honduras' strengthening of certain border points, mainly in the recovered areas.

Colonel Mario David Villanueva, director of the Armed Forces Public Relations Office, said that Honduras is simply exercising its sovereignty and is not trying to bother the neighboring country.

[Begin Villanueva recording] Honduras normally rotates the guard posts that patrol the border. This is not even a mobilization, much less a provocation. Honduras is simply exercising its sovereignty in compliance with the Armed Forces' constitutional mandate. It always maintains guards, personnel on permanent patrol, and the border posts are rotated periodically. [end recording]

He listed certain actions that the National Army has conducted in the border areas, mainly in those areas that were recovered.

[Begin recording] [Villanueva] Attention has been given to priority areas listed by the central government. With regard to public discussions on the situation in Nguaterique and the areas that were reconfirmed by the International Court of Justice in The Hague, the Armed Forces has established certain new border posts, has switched certain positions, and has reinforced one. But this is nothing new; this has been an operational procedure for over a year.

[Alvarado] There is no reason for El Salvador to be annoyed if all Honduras is doing is exercising its sovereignty on its own territory?

[Villanueva] Yes, I believe there is no reason or justification. I believe that it could be a mistaken interpretation or lack of information of what is really taking place. It could also be that it is part of a disinformation campaign, which we know by our national media has been taking place — we do not know by what sources or for what purpose — and has been attempting to say that there is instability in this area, lack of security, and that there is little or no Honduran military presence, which is untrue. Sovereignty is being fully exercised and we

are trying to control all those issues that affect national interests such as deforestation, contraband, and so forth.

[Alvarado] How many new surveillance posts has Honduras created in that area?

[Villanueva] I do not know exactly how many, but we are rotating our surveillance at various points and creating new ones in view of recent reports on contraband of lumber and other materials and illegal products. [end recording]

Nicaragua

Candidate Denies Participation in Money Laundering Ring

PA0405042296 Managua BARRICADA in Spanish 30 Apr 96 p 7

[Report by Carlos Garcia Castillo]

[FBIS Translated Text] During a news conference, Alvaro Robelo, presidential candidate for the Up With Nicaragua Movement, has said he fears for his life, denying any participation in a vast, international, money laundering ring.

Robelo has accused the government of "having a special interest" in implicating him in a money laundering scandal. "The government has avowed to do away with me before 19 May; thus, it is trying to connect me to that ring with a ploy orchestrated by the Government Ministry," the banker turned politician has said.

Robelo has said "I am the victim of constant, political persecution. I am under constant surveillance, agents are being sent abroad to follow me, and charges are being fabricated against me. I was warned from Mexico that somebody from the Government Ministry flew to Mexico and Costa Rica to fabricate charges against me."

The politician has said "I fear for my life, because forces from all over the world are in on this plot. This plot is an international one, and there are big Central American interests, particularly Nicaraguan, that will use the plot as a platform to undermine the area."

According to Robelo, behind the international financial scandal in which he is reportedly involved are conflicts between major economic groups from around the world with an interest in constructing an interoceanic canal through Nicaragua. He has said: "I feel that certain governments will want to have a geopolitical presence in the area once the results of the Nicaraguan elections are in."

He added: "I have gone everywhere and have talked to everyone about forming a consortium of the Americas to

build this canal. That is the reason they want to eliminate me. I have been the only one selling Nicaragua's image, and that has placed my life and my family at risk. I am even vulnerable to plots devised by international interests."

According to reports out of Italy, Italian Prosecutor David Monti has announced the dismantling of an international money laundering gang that has included Italian businessmen, bank officials, the international Freemasons, and even secret service agents from several countries.

The gang, 18 members of which are reportedly under arrest, made numerous banking transactions, most of them fictitious, in order to obtain almost \$12.5 billion in clean dollars with the complicity of private banks. One of these banks belongs to a Nicaraguan presidential candidate who, apparently, is Alvaro Robelo.

"The new and controversial political figure has denied that a financial operation of that magnitude took place in Nicaragua. 'I wish it were true. We could solve the foreign debt problem with that amount (\$12.5 billion),' he has said.

Robelo believes that the international plot against him stems from the fact that "certain circles fear that the Up With Nicaragua movement could take over power.

"It is a widespread, deep, and almost paranoid fear that is aiming all guns at us so my movement will disappear from the political game. We have broken the traditional schemes of political continuation," Robelo has said.

Panama

Panama: Talks on U.S. Bases 'Could Resume' in Jun

PA0405162796 Panama City EL PANAMA AMERICA in Spanish 4 May 96 p 1

[Article by Henry Rayment: "Base Agreement Will Reportedly Be Negotiated in June"]

[FBIS Translated Text] The postponed exploratory talks between Panama and the United States on the stay of U.S. military bases could resume in June, officials of the two nations revealed in Washington yesterday.

Officials who do not wish to be identified said there is good disposition among official circles of the two countries to consider the possibility that it would be of mutual interest to maintain a reduced presence of U.S. troops in Panama for another 10 to 15 years.

Rumors of a possible resumption of talks, which were suspended half a year ago, started to spread after Panamanian and U.S. officials visited Foreign Minister

Gabriel Lewis Galindo at his Miami residence two nights ago.

The foreign minister first greeted U.S. Ambassador to Panama William Hughes and Undersecretary of the Army Joseph Reeder. He later met with Panamanian Ambassador Ricardo Alberto Arias, who is also acting foreign minister due to Lewis Galindo's health problems.

Ricardo Alberto Arias confirmed the visits to Lewis Galindo's residence but gave no details. He did not deny or confirm reports on a possible resumption of base talks.

The talks, however, could be further delayed past June should President Ernesto Perez Balladares feel he has not yet reached a consensus with the various sectors of the Panamanian political sector.

Ambassador Arias, who will serve as foreign minister during the six weeks that it is believed will take Lewis Galindo to recover, returned to Washington to host a dinner to honor drug czar retired General Barry McCaffrey.

McCaffrey is reportedly among those who has exerted the most influence on the Department of Defense to consider maintaining some presence in Panama beyond 1999, although the government has ordered the closure of numerous bases within and outside the United States.

Panama: Assembly President Opposes Permanence of Bases

PA0505163696 Panama City EL PANAMA AMERICA in Spanish 5 May 96 p 10H

[Article by Teofilo Gonzalez]

[FBIS Translated Text] Legislative Assembly President Carlos Alvarado yesterday said that his personal position is to oppose the permanence of U.S. military bases in Panama.

However, Alvarado said that the economic aspect should determine the permanence or removal of the bases.

"I believe there are no reasons for a military presence in our country when there are better alternatives that could respond to our interests, such as the establishment and development of industrial processing areas," Alvarado said yesterday in Chiriqui.

He added that talks in this regard with the Taiwanese Government are scheduled to begin on Monday.

Alvarado noted that a segment of the U.S. Armed Forces stationed in Panama was interested in the stay of several bases, such as, Howard, Sherman, and Rodman, under the argument of the fight against drug trafficking.

Nevertheless, I believe those facilities should be used to build industries and tourist centers that could bring more benefit to the people, Alvarado said.

Panama: U.S. 'Drug Czar' Said 'Avoiding' Foreign Press

PA0505184696 Panama City LA PRENSA in Spanish
5 May 96 p 47A

[Article by Betty Brannan Jaen, LA PRENSA correspondent in Washington]

[FBIS Translated Text] Washington, D.C. — I have requested an interview with General McCaffrey, the new U.S. "anti-drug czar," five times during the past month, but have received no answer from his office. Other Latin American reporters have said they have had the same problem. A U.S. official told me privately that Gen. McCaffrey is avoiding the foreign press.

This puts Latin American citizens in a dilemma. On the one hand, Assistant Secretary of State Robert Gelbard praised our "political determination" to fight international drug trafficking, but at the same time refused to mention what specific measures confirmed that political determination to U.S. satisfaction. On the other hand, Gen. McCaffrey mentioned a new strategy (announced with a lot of publicity last week in Miami), which will include "a more effective international alliance." McCaffrey, however, has refused to inform the international public of the details of that strategy, the changes that will be made in the international alliance, and what all this will imply for our countries.

At a news conference held last Wednesday at the National Press Club (which was attended by some foreign reporters, but not by me) a Colombian reporter tried to no avail to ask Gen. McCaffrey that specific question. Gil Cabrera, representing Colombian television, asked him: "Gen. McCaffrey, with regard to the new antidrug strategy, how will it affect the role played by countries like Colombia in their struggle against drugs?"

McCaffrey replied in a way that in English is described as a "non-responsive answer" [preceding two words in English]. He said: "Well, as you know, we are working in full cooperation with Colombian police, the Armed Forces, and the attorney general. We have a profound admiration for the hundreds of Colombian policemen and soldiers who have been killed or wounded in this struggle. The Colombian Air Force and police have lost more than 20 airplanes, which were shot down. They are fighting to defend Colombian democracy from thousands of narcoguerrilla forces and international cartels. We appreciate their efforts, we are going to work with them, and I believe we will make progress."

Reporter Cabrera tried again to get McCaffrey to answer his question: "In practical terms, moneywise and speaking of specific aspects of cooperation, how will they (our countries) be affected?" Cabrera pressed on.

Again, McCaffrey evaded a specific answer. "We have — I can make them available to you — various cooperation agreements. We have, of course, sold Blackhawk helicopters to Colombia for its police and Armed Forces. We are trying to help... Colombia will carry the load. Colombian youths will be the policemen and soldiers who will defend their democracy. We are supporting them by sharing intelligence information, as well as cooperating with justice and with training programs. Right now Colombian Air Force officers are in Panama. They board any U.S. aircraft participating in this struggle to intercept drugs." (Why are Colombian policemen in Panama? I would have asked.)

For the third time, reporter Cabrera tried to get a specific answer but was not allowed to ask any further questions. Another reporter, however, managed to ask about the impact that the new anti-drug strategy will have on Latin America. McCaffrey replied in these terms: "There will be no unilateral action by the U.S. Government. We will act with absolute and total respect for the sovereignty of our sister democracies, and we will be privileged to support their efforts. We absolutely respect President Fujimori and his government's commitment to face this threat. Their efforts are not to solve a U.S. problem, but to protect the Peruvian people."

At this point we can see that McCaffrey has echoed some of the "slogans" recently used by Gelbard: that fragile democracies need protection against the threat of the narcocartels; that Latin American countries must participate in the struggle not to please the United States, but in their own defense; and that the United States respects the "sacrifice" of the same countries it criticizes for not doing enough in this struggle. Colombia has been decertified, and Peru's certification has been in doubt for years. McCaffrey, however, still praises their efforts. The Colombian attorney general — the same person I assume McCaffrey said has been fully cooperating — has just turned himself in to the authorities under charges of accepting narcobribes.

Another "slogan" we are starting to see everywhere is that with the withdrawal of U.S. bases, the danger of Panama falling into the hands of the drug cartels will increase (a thought expressed by Gelbard during an interview he granted me last week). A delegation of U.S. congressmen, which recently traveled to Panama, mentioned that at same point in a report they issued when they returned from their trip. That argument, however, is absurd, as President Ernesto Perez Balladares and oth-

ers have said, because the narcodictatorship that Noriega imposed on us occurred in the presence of — and with the consent of — thousands of U.S. soldiers who were stationed in Panama in the 1980's. Therefore, the "deterrent effect" of the presence of those bases apparently has no force.

During Wednesday's news conference, EL PANAMA AMERICA correspondent Henry Raymont asked Gen. McCaffrey to comment on the vulnerability of frail democracies in facing the threat of the narcocartels. Once again, McCaffrey replied evading the question: "What Panama has in its favor" he said "is that Mr. Sosa, a strong and honest man" is directing the National

Police. Panama also has a brilliant president, who is also a banker and who is committed to ensuring that 20 years from now, the country will not be governed by people linked to some international drug cartel. I am therefore convinced that Panama will overcome that threat."

So there. If Panamanians want to know what is expected from us, if we want specific details on the magnitude of the problem and the impact of the new strategies, if we want to know specifically what we are supposed to do to please the United States, we might as well wait seated, consoling ourselves with the idea that everything will be all right, because we have a "brilliant" president.

Argentina

Argentina: Poll Said To Show Menem's Declining Popularity

PY0305205596 Buenos Aires LA PRENSA in Spanish
29 Apr 96 p 2

[FBIS Summary] The results of the latest public opinion poll conducted by the Manuel Mora y Araujo consulting firm in March and April 1996 show that President Carlos Menem's popularity has been steadily deteriorating since 1995. The poll found that only one third of the survey sample — 32 percent — approved of the incumbent administration whereas one third disapproved of it, and the remaining one third remained undecided. According to the survey, the president's dwindling popularity is due to the "tequila effect" and the ensuing recession compounded by high levels of unemployment. All this led the president to lose face since 48 percent of those polled in March and April 1995 approved of his administration.

The survey also found a marked increase in the number of people predicting a worsening of the situation. Mora y Araujo said that his poll showed that 38 percent of people expected the downturn in economic activity to continue next year against 23 percent predicting an economic take-off by next year.

Sociologist Mora y Araujo was of the opinion that an economic upswing will not automatically boost the head of state's popularity since the bearing of the economy on Menem's image is complex because two opposing forces come into play. According to Mora y Araujo, "when the economy is doing badly, the public complains, but supports the government more steadfastly because it is the government that guarantees stability." "When the economy is doing well, there are fewer complaints, but the public demands more things from the government in areas in which it is less prepared to give a satisfactory answer."

Argentina: Uruguay Said Not Involved in Arms Diversion

PY0305115496 Buenos Aires TELAM in Spanish
0001 GMT 3 May 96

[Report by unidentified correspondent]

[FBIS Translated Text] Montevideo, 2 May (TELAM) — Argentine Defense Minister Oscar Camilion has completely disengaged Uruguay from any connection to the alleged arms diversion to Ecuador that is being investigated by Argentine courts. Camilion explained that the investigation is being aimed at the intermediary company Hayton Trade, based in Montevideo. He

emphasized, however, that the Uruguayan Government "has nothing to do with this case."

The minister said: "The only detail that could be confirmed is that the Hayton Trade company is based in Uruguay. The Argentine Government sold arms to Hayton Trade, and not to a state." Camilion added that "The deal with the Hayton Trade company was the framework within which the probable arms contraband to Ecuador could have taken place." The Argentine foreign minister also admitted: "Our impression is that Hayton Trade is one of those companies that is organized when a conflict breaks out, makes a specific deal, and then lowers its profile."

Camilion met Uruguayan President Julio Maria Sanguinetti and Uruguayan Defense Minister Raul Iturria here today. He informed them of the preparations for the hemispheric defense summit scheduled for June in Bariloche. The Argentine defense minister pointed out that, during his meeting with the Uruguayan president, the alleged arms diversion case "was not even brought up." Camilion, however, admitted that they had discussed "the issue involving the People's Revolutionary Organization [ORP]," a group that has claimed responsibility for the recent attack on the police doctor Jorge Berges and which has released announcements from Uruguay.

In response to questions posed by journalists, Camilion emphasized: "I want to make it very clear that the ORP issue in Argentina comes under the Interior Ministry's, and not the Defense Ministry's, jurisdiction." Camilion added that "we don't know" the ORP's "type of organization," but "we harbor doubts about its real profile and, of course, are concerned about the fact that there has been a terrorist attack." The Argentine defense minister noted, however, that "too much significance is being attached to this issue." He emphasized that he does not believe in the possibility of the reinstatement of subversive violence actions as those that affected Latin American countries in the 1970's.

Argentina: Defense Minister Camilion Returns From Uruguay

PY0305205096 Buenos Aires TELAM in Spanish
2004 GMT 3 May 96

[FBIS Translated Text] Buenos Aires, 3 May (TELAM) — Defense Minister Oscar Camilion this afternoon returned to our country from Uruguay, where he met President Julio Maria Sanguinetti and Defense Minister Raul Iturria. Camilion arrived at 1635 [1935 GMT] today at the Jorge Newbery metropolitan airport. He did not make any remarks to journalists. During his visit to Montevideo, Camilion informed Sanguinetti and Iturria of the preparations of the Second Hemispheric Defense

Ministers Summit scheduled for October in San Carlos de Bariloche. Camilion also held a protocol meeting with Uruguayan Foreign Minister Alvaro Ramos.

Argentina: Military in Antidrug Effort 'Not Justifiable'

PY0405033396 Buenos Aires CLARIN in Spanish
22 Apr 96 p 13

[Article by Rosendo Fraga, director of the New Majority Center of Studies]

[FBIS Translated Text] The Armed Forces participation in the antinarcotics effort is not an ideological or doctrinary problem. It is, in reality, a pragmatic problem.

The need to have military participation in the antinarcotics effort is posed when drug traffickers have capacity, organization, and weapons of a military kind, which surpass the police capacity of taking action.

The Brazilian Armed Forces' participation in the antinarcotics efforts during the summer of 1995 is a concrete example of this theory. The drug traffickers, who had heavy weapons, were dominating the hill slums and preventing the police from entering them. As a result, the Armed Forces had the option of accepting the idea of equipping the police with heavy weapons or doing the job. They decided to do it. The first results were positive because the military units managed to enter the slums and break the drug traffickers' resistance. The problem popped up, however, as time went by and showed that it was very expensive for the military to perform, in a permanent manner, a task that is essentially police-like.

In South America, the Armed Forces have already participated in antinarcotics operations in Colombia, Peru, and Bolivia, in addition to Brazil, because in all of these countries the drug traffickers' military capacity surpassed that of the police.

In general terms, we can say that the Armed Forces should participate in antinarcotics efforts exclusively in exceptional situations and, if possible, in a temporary — never permanent — manner, and only in cases when the drug traffickers' "military capacity" makes such participation indispensable.

In the case of Argentina, the drug traffickers' military capacity seems not to justify, at least in the short and long term, the Armed Forces' participation to fight them.

In our country, the antinarcotics effort requires police-like solutions and the Federal Police, the National Border Police, and the National Coast Guard have sufficient capacity to conduct such efforts in coordination with the provincial police forces.

This specific responsibility will require support actions by the Armed Forces, particularly from the logistic and transportation points of view, in order to avoid duplicating means and structures.

At this stage, however, the operational use of Armed Forces contingents is not required, due to the fact that, as we have already said, the problem is of an eminently police nature.

Concluding, if we consider that the use of the Armed Forces contingents in the antinarcotics efforts represents a pragmatic rather than an ideological or doctrinary problem, and that the drug traffickers' military capacity is what determines whether this participation is necessary or not, we believe that in the case of Argentina, the operational use of military contingents in this task is not justifiable.

Bolivia

Bolivia: Coca Growers To Defend Crops 'With Their Lives'

PY0405033696 Santa Cruz EL MUNDO in Spanish
26 Apr 96 p A25

[Report by special JATHA news agency correspondent]

[FBIS Translated Text] La Asunta, 25 Apr — With their arms raised, their fists closed, and the national anthem being played on the background, about 3,000 Sud Yungas coca growers "swore" on the memory of Tupac Catari [Indian rebel executed in 1781] to defend their coca crops with their lives. The coca growers claimed that their coca crops are UMOPAR's [Mobile Police Unit for Rural Areas] next target for forceful eradication.

The unusual ceremony took place at noon on 24 April when peasants, arriving on foot or in trucks from the most remote areas of Sud Yungas Province, assembled at La Asunta main square. The peasants unanimously rejected any attempt to eradicate their coca crops.

The rally was a response by the Sud Yungas trade unions to a recent Ministry of Government communique, announcing that the forceful eradication of coca crops would not be limited to the Chapare region in Cochabamba Department, but would also include the Sud Yungas Province of La Paz Department.

In Sud Yungas Province, there should be 12,000 hectares of coca crops alone, but it has been confirmed that there already are 14,000 hectares of coca crops, official statistics report.

Coca growers leader Lino Villca emphasized to the JATHA news agency: "Coca crops or death. We

shall overcome it. The Sud Yungas will not become UMOPAR's next target. If necessary, we will die." He indicated that UMOPAR had already raided the Sud Yungas before. Therefore, the Sud Yungas inhabitants have become sensitive to UMOPAR raids.

This possibility has prompted the rally, whose goal involves keeping the Sud Yungas coca growers united and ready. The Sud Yungas coca growers emphasized that their coca crops represent their only means of living.

The coca growers, carrying horns, national flags, sticks, and fire crackers, traversed about 5 km on the road linking La Asunta and the town of Cotapata, and later assembled in the Choquechaca La Asunta region.

Bolivia: Strategy Against Money Laundering 'in Pipeline'

PY0305185396 Cochabamba LOS TIEMPOS
in Spanish 25 Apr 96 p A2

[FBIS Translated Text] La Paz, 24 Apr — Even if Bolivia is not a major international center for the "laundering" of money obtained through the illegal arms or drug trade, a national strategy to combat money laundering is in the pipeline. This initiative will be submitted to the U.S. Government in May.

Toward this end, President Gonzalo Sanchez de Lozada met today with Government Minister Carlos Sanchez Berzain, Finance Minister Fernando Candia, Justice Minister Rene Blattmann, and Banks Superintendent Jacques Trigo.

The Bolivian proposal sums up three "visions" about this financial crime; namely, those of the Government, Finance, and Justice Ministries. Each one of these ministries enumerates the most important aspects that must be taken into account in the struggle against money "laundering."

The finance minister underscored that Bolivia is not a hub of "money laundering," but that it should nonetheless devise a strategy to combat this crime affecting drug-producing and consuming countries, which, in the opinion of economic experts, is damaging the economies of several countries in the region.

Candia reported that the Sanchez de Lozada administration initiated consultations with several ministries to discuss the subject of money "laundering." The minister added that this move seeks to define the position which Bolivia will maintain at the ministerial meeting convened by the [U.S.] Department of the Treasury in May. The agenda of this meeting includes the discussion of the money "laundering" phenomenon and economic issues involving the countries of the region.

The Superintendency of Banks has already come to grips with the subject of "money laundering." To that effect, it organized a seminar some time ago to analyze this problem. This task was then taken up by the Justice Ministry, which disclosed the results of another seminar held in the city of Buenos Aires under the aegis of the Inter-American Development Bank.

The finance minister said: "We have thought that the most appropriate course of action was to meet in advance all together to coordinate and prepare the actions that will be necessary to address this issue."

Candia underlined that "money laundering" is a phenomenon prevalent the world over, adding that Bolivia is no exception, despite the fact that it is not an important international center of "money laundering."

The minister pointed out: "It goes without saying that Bolivia is neither an important nor a major center when thinking how things stand at the global level. Nevertheless, this is a global phenomenon prevalent in all the economies of the world and, therefore, (our country) needs to and must also have a response, which has been developed at the global level."

The Justice Ministry announced today that the U.S. Government will advise Bolivia on the establishment of "units to counter the laundering of ill-gotten gains."

Towards this goal, a select government delegation from the Justice Ministry recently traveled to the United States to attend a conference on "Financial Intelligence Units," which was held 18-19 April.

This international meeting was sponsored by the U.S. Department of the Treasury through the Office of Financial Crimes Enforcement Network in the U.S. city of San Francisco, in California.

According to official reports, the participants in the conference learned about the organization and operation of specialized units to combat international financial crimes currently operating in the United States, Canada, France, Australia, Aruba, and other countries.

The Justice Ministry reported that the Bolivian delegation had access to valuable information about suspicious money transactions and activities linked to "money laundering" or the laundering of "dirty" money.

Governmental sources explained that the knowledge acquired by the members of the Bolivian delegation will be most valuable for the work the Justice Ministry is undertaking on the criminal classification of "money laundering" and the study of the possibility of setting up an "anti-money laundering unit" in Bolivia.

Brazil

Brazil: President Promises To Settle Landless Families

PY0305155296 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 3 May 96

[FBIS Translated Text] President Fernando Henrique Cardoso has promised landless peasants to settle all families who are currently living in encampments.

Representatives of the Landless People's Movement met for two hours with President Cardoso in Planalto Palace yesterday and agreed upon goals and points to carry out the agrarian reform in Brazil.

One of the most important points of the meeting was that President Cardoso promised to settle as soon as possible the 37,000 families living in encampments throughout the country.

Following the meeting, which ended early in the evening, Agrarian Reform Minister Raul Jungmann said that it was quite positive. He began by saying that President Cardoso guaranteed that those responsible for the killings (in Eldorado de Carajas, Para) will be punished. The president also said he will pressure Congress to vote on the agrarian reform bills as quickly as possible, including the bill establishing summary eviction to hasten the process of confiscation of property.

As for the landless peasants' request for the removal of Justice Minister Nelson Jobim, President Cardoso responded that such a proposal is out of the question in the game of democracy.

Brazil: Cardoso, Argentine VP Discuss Mercosur

PY0405030696 Madrid EFE in Spanish 1715 GMT 3 May 96

[FBIS Translated Text] Brasilia, 3 May (EFE) — Brazilian President Fernando Henrique Cardoso and Argentine Vice President Carlo Ruckauf today held talks in Brasilia about the Common Market of the South (Mercosur) and the possibilities that the Brazilian northeastern region has of participating more intensely in the integration process.

Cardoso received Ruckauf at Alvorada Palace, the presidential residence. According to official sources, they discussed the visit Ruckauf paid from 30 April to 2 May to Pernambuco State, in the Northeast Region of Brazil.

After his meeting with Cardoso, Ruckauf met Senate President Jose Sarney and Jose Sepulveda, president of the Federal Supreme Court.

Ruckauf declared that the Brazilian Northeast Region will only become competitive in its trade relations with the other Mercosur member countries (Argentina, Uruguay, Paraguay) if it exploits areas that do not have competitors in the states of the southern and southeastern regions of the country.

"The Northeast Region has a great deal of possibilities of complementing its trade with the Argentine market with products of areas in which we are not competitive, such as tropical fruits, oil byproducts, and chemicals," the Argentine vice president asserted.

Brazil: Economic Coordination Secretary Resigns

PY0305173796 Sao Paulo AGENCIA ESTADO in Portuguese 2323 GMT 2 May 96

[Report by Beatriz Abreu/Lu Aiko]

[FBIS Translated Excerpt] Brasilia, 2 May (AE) — Economic Coordination Secretary Luiz Paulo Vellozo Lucas today formally tendered his resignation to Finance Minister Pedro Malan because he intends to run in the upcoming October elections for mayor of Vitoria, for the PSDB [Brazilian Social Democracy Party]. He could have remained in his post until June, but he submitted his resignation now because he considers it unethical to carry out the duties of his post and at the same time organize his election campaign.

Although Malan did not mention who will replace Vellozo Lucas, the name of economist Luis Roberto Cunha, dean of the Catholic University of Rio de Janeiro, was heard today. Cunha is a friend of Malan and he has always been Malan's choice for the post, which he declined twice. [passage omitted]

Brazil: Signs of Discord Noted on Economic Team

96SM0263A Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Apr 96

[Unattributed article: "Divided Team" — received via Internet]

[FBIS Translated Text] There are mounting signs of discord among the members of the economic team. It has been known ever since Jose Serra was named minister of planning (Pedro Malan had already been confirmed for the Ministry of Finance) that the two men have sizable conceptual disagreements. Disagreements even more serious separate Serra and the team at the Central Bank in the sensitive area of foreign exchange.

Theoretically, disagreements among members of the same team are not a mortal sin. They can even generate debate through the presentation of differing viewpoints.

It happens, however, that the tone of the disagreements seems to be growing sharper and, what is worse, that disagreements are spreading.

Fernando Henrique Cardoso's administration gives the growing impression that each of its members is concerned only with his own area and does not share in an overall vision. The situation in health is only the most eloquent example: Minister Adib Jatene spends his time supporting a new tax to finance health, apparently without worrying about the impact that such a tax might have on the overall panorama of the tax burden. His fellow cabinet members support or criticize Jatene's initiative without bothering to find out whether the new funds are necessary or whether there might be other solutions.

Minister of Communications Sergio Motta is growing less and less cautious in his criticisms of the interest policy being pursued by his own fellow members of the administration. All told, what exists is a scenario of disorganization that can only convey a sense of insecurity, to say the least, to the economic and social agents.

The enormous challenges facing the Brazilian Government would be difficult enough to face if there were a rather united and cohesive team. If it is divided, they may become insuperable.

Brazil: Renegotiation of State Debts Examined

96SM0263B *Sao Paulo O ESTADO DE SAO PAULO in Portuguese* 25 Apr 96

[Editorial: "What the States Must Give" — received via Internet]

[FBIS Translated Text] There are two standpoints—one economic, the other political—from which one must view renegotiation of the states' debts. That renegotiation led 26 governors to meet with President Fernando Henrique Cardoso in Brasilia on Wednesday, and what they received from him was news—some of it good, some of it less so—but what they heard above all were words not always used by the president of the republic. The chief executive authorized the new refinancing and, in doing so, demonstrated that he is perfectly familiar with the problem. Although he made concessions, they were due to considerations of a political nature that the president made very clear as he addressed the governors.

Economically, the situation is extremely serious but also historical, as the president pointed out, quoting Rio Grande do Sul Governor Antonio Brito as he said that "they (the states) inherited situations" and that "the sum of the situations is my situation" because, he said imperiously, "I am the biggest heir to legacies of

injustice in this country and of disorganization in the country." The president stressed that the problems of the states would not be solved in two or three years. "It is not right to expect anyone to resolve in two years what has been building up for 100 years," the head of the government emphasized.

The states will receive part of what they want, and the executive secretary of the Ministry of Finance, Pedro Parente, has been designated to deal with them. It is probable that Parente will neither treat the states with kid gloves nor go along exactly with what Fernando Henrique Cardoso says, because he knows that not all the governors have been doing all they can to straighten out their administrations' accounts, although it can be said that the situation is already much better than it was a few years ago.

There is a new factor, however, which is causing the governors to be in a hurry, and on that point the president of the republic received indirect—but none the less valuable—support from his fellow party member Mario Covas. When he threatened to denounce the Banespa [Sao Paulo State Bank] agreement, Covas placed the Senate under an obligation to decide quickly—even though the purpose was to ensure that agreements similar to that with Sao Paulo could be reached with the other states—and forced the governors to visit Brasilia as a group to conclude agreements with the Federal Government. If, purely hypothetically, rejection of the agreement with Sao Paulo were confirmed (a move that might even have favorable effects—for example, an attempt to partially privatize Banespa's management as was done with Banerj [Rio de Janeiro State Bank], as Minister Pedro Malan mentioned in Washington), the others would be weakened in their attempts to obtain treatment identical to that accorded Sao Paulo State, something that would cost them very dearly.

It does not matter that the solutions decided on are "palliative," as the president admitted. At the end of 1995, the states and municipalities combined owed 35 percent of the total debt in the public sphere, and that 35 percent adds up to 12.9 percent of the gross domestic product (GDP), according to calculations by Alberto Sozin Furuguen, Luis Pamplona de Paula Pessoa, and Satossi Abe that were published in the Guarantee Bank's economic bulletin. The point is that during the 1990's, the indebtedness of the states and municipalities has been growing faster than that of the Union, and it is not enough to argue that part of the reason is the high interest rates imposed by the Central Bank. The truth is that the states began increasing their pattern of spending in 1988, when the Constitution transferred money to them but did not guarantee them increasing revenues.

Overall, they will have benefits similar to those granted to Sao Paulo, but it is expected that they will also be responsible for transferring assets, meaning the privatization of state-owned firms—including electric energy in Minas Gerais and telecommunications in Rio Grande do Sul—because it will not be appropriate to retain state ownership of companies that are typically privately owned, all the more since explanations having to do with national security no longer hold water—a screen against corporatism.

Addressing the governors, the president said he would give them more rope. "Extending more rope so that the states can tie themselves up in it the way the country did for so long, and it is still tied up," Fernando Henrique said, apparently letting off steam. "We must get to the root of the problem. And the root of the problem is that expenditure—especially personnel expenditure—cannot continue because there is not enough money to cover it." That was why, in asking for support for the reforms in general—and complaining about the lack of support for achieving more extensive social security reform—the president touched on the key question of administrative reform, which will allow the states to cut back on personnel. The fact is that personnel spending often exceeds the 60 percent ceiling that will apply in the future: Rio de Janeiro spends 70 percent of its net revenues on personnel, Minas Gerais 72 percent, Rio Grande do Sul 81 percent, Sao Paulo 85 percent, and Espirito Santo 91 percent. If support from the governors helps win a favorable decision on the constitutional reforms, the president will not have wasted his time or spent billions in vain.

Brazil: FIESP Pressured by Less Successful Firms

96SM0263C *Sao Paulo O ESTADO DE SAO PAULO*
in Portuguese 21 Apr 96

[Unattributed article: "Those Who Lost From Stabilization Want Radical Stand Against Administration" — received via Internet]

[FBIS Translated Text] The success of some businessmen and the failure of others as a consequence of the Real Plan is dividing the boards of directors of the Sao Paulo State Federation of Industries (FIESP) and the Sao Paulo State Industries Center (CIESP). On one side are the representatives of the food, beverage, packaging, and paper and cellulose industries, which have benefited most from the economic measures. On the other side are managers of the associations representing the metal engineering, textile, toy, and footwear industries, which have suffered losses.

The losers from the Real Plan are putting pressure on Carlos Eduardo Moreira Ferreira, president of the

FIESP, to take radical stands. They want the organization to protest the monetary and exchange policies. They are irritated by the fact that tax reform has been relegated to the background and that their FIESP representatives have adopted a complacent attitude toward the slowness of Congress.

The winners are recommending that the FIESP leadership show caution. Business is good, and any change might harm their firms' operating results. They are manufacturers of products that people on low incomes can buy. A stable currency and increased purchasing power for the poorest members of society have caused strong growth in their markets. There has been a significant increase in the scale of production, and that has improved performance and increased profit margins.

"We have managed to eliminate the 'Brazil cost' from the chicken production line," says Luiz Fernando Furlan, director of FIESP's Foreign Trade Department and a member of Sadia's board of directors. A study conducted by Mario Bernardini, vice president of the CIESP, shows that that picture may change and that sectors whose sales are growing every month may lose customers.

Bernardini compared data from the FIESP's Economics Department (Decon) for the years since 1980. He concluded that the level of industrial activity in 1996 is equal to that in 1990. The industry employs 25 percent fewer people than it did in 1985. What is more, the plants have stopped granting pay advances. They adjust for inflation only on the base dates. The latest survey by the FIESP showed that for the first time in many years, the real value of the average industrial wage rose more slowly than inflation (IPC [Consumer Price Index] as established by the FIPE [Economic Research Institute Foundation]).

"It is still too early to call that a trend, but if it turns out to be one, sales of low-cost products are going to drop," he predicts. And when that happens, Bernardini says, the businessmen will start protesting as one.

Brazil: Less Competitive Industries Face Extinction

96SM0263D *Sao Paulo O ESTADO DE SAO PAULO*
in Portuguese 21 Apr 96

[Unattributed article: "Days Are Numbered for Industries Unable To Compete" — received via Internet]

[FBIS Translated Text] Domestic industry is being put to the test. Some sectors are closer to heaven, and others are very close to hell, according to an analysis by Roberto Faldini, director of the Economics Department (Decon) at the Sao Paulo State Federation of Industries (FIESP). "Many chairs are going to change position."

The days may be numbered for those industrial sectors whose survival requires a privileged exchange rate if they are to compete with foreign products.

They have not had time to adapt to foreign competition and are in no position to compete with the world's more modern industries, where the scale of production is large. Some products which Brazil is in no position to continue producing have already been identified, examples being luxury automobiles and sophisticated electroelectronic home appliances, says Faldini. As regards the production of household electrical appliances known as white goods, for example, domestic capital has been stifled, with the result that it no longer exists.

Brazilian firms have also proven incapable of standing up to foreign competition in the markets for footwear, chinaware, and toys. The textile industry is in its death throes due to the presence of Asian products. As for capital goods, "the ball in play" is the capital goods industry, according to Sergio Magalhaes, president of the Brazilian Association of Machine Industries (Abimaq).

"It will be the next to succumb." That statement is based on the very formulas for survival that the association recommends to its members. The firms must lay off employees, reduce hierarchical levels, lower costs, and import components and even products. "That is a formula for self-mutilation," says Magalhaes. "Unfortunately, there is no other solution." The machine industry is suffering from the same evils as sectors whose firms have been closing their doors.

On top of that, it lacks financing for selling its products, which are manufactured to order. About 40 percent of its costs are related to manpower. The loans obtained by potential customers are generally tied to the purchase of machinery and equipment in the home countries of the financial agents. "The mood in the sector is one of panic," says Magalhaes. Businessmen are ready to find a solution for the sector.

They will meet today at Sindimaq [expansion not given] to try to anticipate the future of the industry and discuss alternatives for survival.

Brazil: Importance of Well-Equipped Navy Viewed
PY0305145496 Rio de Janeiro JORNAL DO BRASIL
in Portuguese 2 May 96 p 9

[Article by Guilherme Camargo]

[FBIS Translated Excerpt] [Passage omitted] Friedrich List can be considered, more than Karl Marx, the main opponent of the British classic liberal school of Adam Smith. Both agreed, however, that without economic development, no national security is possible. Similarly,

without adequately trained and equipped Armed Forces, there will be no economic development.

In present-day Brazil, however, some "leftist" and other "rightist" economists — be they neoliberal or protectionist — believe that the nation can give up its Armed Forces.

The Brazilian nuclear submarine is a good example of a case study. In a country with a coast extending 8,000 km, in which 70 percent of the population lives in a coastal area only 200 km wide, and with all of our oil located in a continental platform, some of these economists believe that Brazil can do without the nuclear submarine and purchase (probably abroad) launches and helicopters to prevent smuggling and drug trafficking. In other words, Brazil does not need a navy prepared for warfare; a simple and trivial coast guard is enough.

Yet, given the geographical and geopolitical circumstances that characterize the immensity of this country, having a navy without a nuclear submarine would be equivalent to an artillery force without missiles, or a motorized cavalry unit having only old nags instead of modern tanks and helicopters.

This way, the question is not whether we should have a nuclear submarine, but whether we should have a navy prepared for warfare.

To those apologists of the "end of history," there is no enemy in sight now that the Soviet Union has collapsed, i.e., there is strategically no "hypothesis of war." As a corollary of this pre-fabricated axiom, continental security might be ensured by our Northern Hemisphere friend and partner — the United States.

We will say clearly: Those who defend the sinking of the Brazilian nuclear submarine are simply repeating old theses of some U.S. scholars [preceding word in English], such as Professor Marvin Miller of MIT, who asserted at an international seminar held in Montevideo in October 1989 that "the U.S. military and non-proliferation establishments [preceding word in English] are against the idea of new nations possessing nuclear submarines because this might limit the action of the U.S. Navy." We must point out that there are no international accords or treaties forbidding nations to possess nuclear submarines. It must be emphasized, however, that the conflict over the Malvinas Islands in 1982 showed the vital importance of nuclear submarines (which only the British had), be they for defense or attack, in the waters of the South Atlantic Ocean.

Leaving strategic questions aside, the industrial and technological achievements of the Brazilian nuclear submarine program are impressive. When he visited

the Aramar Technological Center, President Fernando Henrique Cardoso could personally check on these achievements. We hope this visit will represent an effective support to the program, and not merely a cordial initiative to please the military.

As a consequence of this conflict between neoliberal economists and experts concerned with production, at least one person has been victimized: Sergio Garcia, technical superintendent of Aramar, who was dismissed for stating that "the resources required to conclude the nuclear submarine represent only 5 percent of what the administration is spending on the Program To Encourage the Reorganization and Strengthening of the National Financial System (sic, newspapers dated 5 April 1996). [no end quotation mark as published]

Brazil: Roundup of Economic Reports Through 3 May

PY0305223196

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 3 May.

BASIC LEADING INDICATORS

Unemployment in March Increases — The Brazilian Institute of Geography and Statistics, IBGE, today reported that unemployment stood at 6.38 percent in March — 1.96 percent higher than in March 1995, when it stood at 4.42 percent. Last month, unemployment stood at 5.70 percent. IBGE conducted its monthly survey in the six major metropolitan areas: Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador, and Recife. Real salaries rose by 1.3 percent from February to March, and by 10.9 percent from March 1995 to March 1996. The IBGE adds that real salaries rose by 2.9 percent in Sao Paulo, and by 0.5 percent in Rio de Janeiro. The survey also shows that unemployment in Rio de Janeiro increased from 3.33 percent in February to 4.36 percent in March; and in Belo Horizonte, from 4.39 percent in February to 5.32 percent in March. (Sao Paulo AGENCIA ESTADO in Portuguese 2308 GMT 2 May 96)

FINANCIAL OPERATIONS

Telebras Announces Investments — Brazilian Telecommunications, Inc., Telebras, yesterday announced that it plans to invest 4.8 billion reais (R) in 1996 — R2.6 billion of which will be used to install conventional telephone lines; R1.9 billion for cellular telephones; and R300 million for data transmission. This investment is expected to increase the number of cellular telephone lines from 2.6 million lines to 4.3 million lines. Tele-

bras also plans to invest in research, technology, digitalization, and the installation of fiber optics, which would bring the total investment to R7 billion. Telebras expects to raise the funds for these investments through bonds to be issued in Japan and Italy. (Sao Paulo GAZETA MERCANTIL in Portuguese 30 Apr 96 pp A1, C5)

Credit Rules Eased — The National Monetary Council, CMN, has authorized the deregulation of repayment terms of credits granted by financial institutions. The measure benefits credits for consumers and for working capital. Banks and clients may now freely negotiate loan repayment terms. Central Bank Norms Director Alkimar Moura said this measure will allow banks to be more competitive because they could reduce loan costs. The CMN also approved the reduction from 12 to 6 percent of the Tax on Financial Operations, IOF, on any financial operations carried out by individuals. The CMN also deregulated leasing operations on cars and trucks. (Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 1 May 96)

New Petrochemical Plant in Campinas — Emerson Kapaz, Sao Paulo science and technology secretary, has said a new petrochemical center will be installed in Campinas, Sao Paulo State. Brazilian Petroleum Corporation, Petrobras, will own 30 percent of the shares of the new plant. OPP Petrochemicals, a subsidiary of the Bahia Odebrecht group; and Elekeiroz, the chemical branch of the Itau group, will also take part in this undertaking. OPP executive Alexandrino de Alencar said the plant will have two production units: one that would produce between 60,000 and 80,000 tonnes per year of raw materials for the production of acrylic paint, and another to produce between 150,000 and 160,000 tonnes per year of polypropylene. These two units will require investments of \$150 million and \$100 million, respectively. The decision to build the plant in Campinas was based on its proximity to the Paulinia refinery, the largest in the country, and on the fact that the Brazilian-Bolivian gas pipeline is expected to pass through the area. Alencar says overall investments may total \$1.2 billion. President Fernando Henrique Cardoso and Sao Paulo Governor Mario Covas will sign an agreement providing for detailed studies on the project within 180 days. The project may be concluded by 2002 or 2004. (Sao Paulo GAZETA MERCANTIL in Portuguese 30 Apr pp A1, C7)

Chile

Chile: Germany's Kinkel Views Interest in Investments

PY0305192396 Santiago *ESTRATEGIA* in Spanish
3 May 96 pp 8-9

[FBIS Translated Text] German businessmen are interested in increasing their investments in Chile. Only 8 percent of overall foreign investments in our territory between 1974 and 1995 are of German origin, a figure which is very low considering the potential of its economy.

Thus, one of the main subjects discussed by several Chilean officials and German Foreign Minister Klaus Kinkel, who is visiting Santiago, was how to increase the flow of German capital.

A few things have already been anticipated. For instance, an agreement to promote and protect investments is being negotiated, and the only thing necessary is to establish a mechanism to solve controversies. Very soon an agreement to prevent double taxation will be negotiated, while a program in the scientific-technical field is being analyzed.

These initiatives were revealed yesterday by Minister Kinkel, who said that despite the existence of the idea that Germany has, over the past few years, been focusing on its reunification process, there is interest in Latin America; namely, in Chile. Proof of this is that he is accompanied by a group of German businessmen who are seeking investment opportunities in Chile.

Kinkel said that among those interested in investing in Chile are the automotive, machinery, chemical, and pharmaceutical sectors, and the field of environmental technology.

He cited as possible examples of business the construction of the magnetic levitation train between Santiago and Valparaiso, water residue treatment plants, and the incorporation of German financial services in Chile, such as banks and insurance companies.

He also stressed possible German cooperation with Chilean mid-sized companies, an aspect which, as he said, was particularly requested by President Eduardo Frei.

Chile: Frei Urges Increased German Investment in Country

PY0305205296 Santiago *EL MERCURIO* in Spanish
3 May 96 p C2

[FBIS Translated Text] The Chilean and German Governments have agreed to strive for the increase in the inflow of investments and aid in the field of scientific

and technological cooperation, particularly with the objective of supporting small and medium-sized companies.

Within this context, they agreed on the need to advance on the discussion of the treaty for the promotion and reciprocal protection of investments which is stagnant in view of disagreements regarding mechanisms for the solution of controversies, an agreement to avoid double taxation and the promotion of scientific and technological cooperation programs.

This is what the German and Chilean foreign ministers, Klaus Kinkel and Jose Miguel Insulza, respectively, said on 2 May during a joint news conference during which they stressed the excellent level of Chilean-German bilateral ties.

After praising all the efforts made by Chile at the political and economic-commercial levels, and in allusion to the strengthening of ties with the EU, Kinkel did not hesitate to describe Chile as "a small tiger" which is making a leap in the right direction.

Kinkel is visiting Chile within the framework of a Latin American tour that will also take him to Mexico and Peru.

Commenting on the eventual apprehension that the German unification process may have caused, Kinkel clearly explained that the objective of his visit is to strengthen ties with Latin America, and particularly, with Chile, a country which he described as "our partner and friend."

Chile and Germany have traditionally had good ties. The presence of German immigrants in Chile as of 1850 has been an important factor in Chilean development. About 20,000 German citizens are currently residing in Chile and at least 100,000 Chileans are of German descent.

Despite a clear German support for the recovery of democracy and Chilean development through cooperation programs in several areas, bilateral ties have endured great tension, mainly regarding the Colonia Dignidad case, and the protection that Chile granted to former West German leader Erich Honecker at its embassy in Moscow.

As Foreign Minister Insulza acknowledged yesterday, Chile is particularly grateful for Germany's support in its new ties with the EU. Insulza said that everyone is aware that it was during the Council in Essen, during Germany's presidency, that the EU decided to strengthen its ties with Chile at the bilateral level.

Asked whether now Germany would be willing to support negotiations as soon as possible of a commercial liberalization agreement between Chile and the EU,

Kinkel merely stated that Germany has supported the strengthening of bilateral ties. He added that evidence of this is that on 22 June a framework cooperation agreement will be signed with the objective of establishing a future Chilean-EU political and economic association.

He also praised the efforts Chile is making to achieve an association with the Common Market of the South (Mercosur) and to be the fourth partner in the North American Free Trade Association (NAFTA).

According to Kinkel, the concept of transatlantic ties should not only encompass ties with Europe, Canada, and the United States but with Latin American countries as well.

The German deputy chancellor also met at the La Moneda Government House with President Eduardo Frei.

Kinkel stated that Frei expressed his hope that there would be more German investments in Chile and more German support in job training programs for small and medium-sized businesses.

Bilateral commercial ties were described as "solid" and trade in 1995 totalled \$1.498 billion with a negative balance for Chile over \$15 million.

The main Chilean products exported to the German market are copper mineral, refined and concentrated copper, fishmeal, iron, lead and gold powder for nonmetallic use. Chile imports generators sets, transportation vehicles, machinery, mechanical equipment and offset printers.

Both Insulza and Kinkel agreed in that there are many possibilities for increasing commercial trade. Kinkel stated that there is a large field for all small and medium-sized Chilean industries in Germany.

Last year, German investments totaled about \$7.7 billion.

Kinkel named a series of areas in which German capital may invest in Chile. He also insisted on the German Government's interest in the Santiago-Valparaiso transrapid magnetic levitation train.

At La Moneda

President Frei held an unscheduled meeting with Foreign Minister Kinkel and a group of German businessmen at La Moneda Government House. During the meeting, Frei urged the German businessmen to invest in Chile.

Frei, together with Foreign Minister Jose Miguel Insulza, told the German business delegation that Chile is experiencing a consolidation and projection of its economic, political, and social development.

Frei told the German businessmen that private enterprise is participating in the development of infrastructure thus allowing the government to concentrate in social investment areas.

During the meeting, the attendants discussed the advantages that Chile and Germany will enjoy as a result of the Chilean-EU agreement which will be signed on 22 June and with Mercosur, on 25 June. Commenting on German investment in Chile, Frei described it as insignificant because it does not surpass \$200 million. He, therefore, urged them to invest in large, medium, and small companies "because we need to acquire German know-how and technology."

Chile: Court Rejects Peruvian Claim on El Chinchorro

PY0305155496 Santiago EL MERCURIO in Spanish 30 Apr 96 p A12

[By Mauricio Silva]

[FBIS Translated Excerpt] Arica — By a vote of five to zero, the third constitutional chamber of the Supreme Court yesterday upheld the Arica Appellate Court ruling rejecting the restraining order submitted by the Peruvian Government regarding the paving, on 2 January 1996, of a stretch of the Pan-American highway crossing El Chinchorro, a fiscal property owned by Peru.

The Supreme Court chamber was headed by Judge Leonel Beraud and comprised of Efrén Araya, Enrique Paillas, and advisers German Vidal and Manuel Daniel.

Alvaro Ortúzar, the attorney hired by Arica municipality, relayed this information by telephone from Santiago. Ortúzar said that the Arica court had rejected the restraining order submitted by Eduardo Martinetti, the Peruvian consul in Arica. He added that this new ruling could have a bearing on another claim currently being handled by the Arica Court of Appeals that was submitted by the Peruvian Government. This claim questions the legality of the municipal ordinance to carry out paving work. [passage omitted]

Chile: Defense Minister Returns From European Tour

PY0305222696 Santiago EL MERCURIO in Spanish 3 May 96 p C5

[FBIS Translated Text] Chilean Defense Minister Edmundo Pérez Yoma returned to Chile at noon yesterday after concluding his official visits to Germany and Belgium.

The members of his delegation are: Senate Defense Committee President Arturo Frei Bolívar; Navy Under

Secretary Pablo Cabrera; National Defense General Staff Chief General Raul Tapia; Vice Admiral Sergio Jarpa; Army Chief of Staff General Richard Quaas; Army and Carabineros military aides; and some of Perez Yoma's closest advisers.

During his tour, Perez Yoma signed a bilateral military cooperation agreement with his German counterpart Volker Ruhe. The agreement includes the creation of a system of consultation and a greater professional exchange between the two ministries.

The Chilean delegation paid a visit to the headquarters of the Army, Air Force, and Navy in Munster, Munich, and Kiel, where they saw combat exercises of the three branches of the German Armed Forces.

Navy Under Secretary Pablo Cabrera, Vice Admiral Sergio Carpa, and Minister Perez Yoma had the opportunity to evaluate new German submarines, the 209 and 212, which the Chilean Navy plans to buy before the end of this century.

Perez Yoma continued his tour to Belgium where he signed a joint declaration and visited the military installations of Charleroi and Ostende, where he was able to see some military armored vehicles in action.

In Brussels, Perez Yoma also met with NATO Secretary General Javier Solana to discuss matters of bilateral interest.

Chile: Fruit Growers' Reaction to Mercosur Accord Viewed

PY0405003796 Santiago *EL MERCURIO* in Spanish
3 May 96 p C5

[FBIS Translated Excerpt] Foreign Minister Jose Miguel Insulza reacted yesterday to opposition by sectors of the wine industry and fruit growers to the agreement being negotiated with the Common Market of the South (Mercosur). He said these sectors are highly competitive, adding that nobody could have dreamed that Chile would want these products be included on the list of exceptions.

Insulza said these products counterbalance those that Chile has included in its list of exceptions and sensitive products, such as flour, wheat, sugar, and rice.

He commented that Mercosur includes most fruit and Chilean wines among the products that will be exempted from the phasing out of custom tariffs.

Insulza said: "If the agricultural sector wants a swifter phasing out of custom tariffs, naturally we would not only have to consider the liberalization of fruit and wines by Mercosur but also the liberalization by Chile of the products included on their list of exceptions. These

are bilateral agreements. One cannot expect to enjoy exceptions and not have them."

The specific demand of the labor union organizations of the wine industry is that the agreement, according to what has been negotiated so far, does not entail reciprocity for Mercosur and Chilean products.

While Chilean wine will only enter Mercosur with a zero custom tariff in 15 years time, our country will start importing the same item with a substantial custom tariff reduction. In other words, Chilean wines will continue to pay a 20 percent custom tariff in the four Mercosur member countries while imported wine, especially from Argentina, will enter Chile with a 6.6 percent custom tariff that will drop to zero within eight years.

The foreign minister believes Chilean fruits and wines are quite competitive and this is what prompted the Mercosur members to include them in their list of exceptions, just as Chile has included less competitive agricultural products on its list of exceptions.

Insulza concluded: "The government has no problem discussing with the entire agricultural sector longer deadlines for the phasing out of custom tariffs but this, naturally, will not only include the Mercosur list of exceptions but also the Chilean list. I do not know if anybody thought we would include wines on the list of exceptions. We have a great number of products to include on the list of exceptions that are sensitive and especially sensitive, and if we were to include those products of ours that are competitive, such as wine and fruit, we would have no room to include less competitive items." [passage omitted]

Chile: Envoy on 'Internal' Nature of Accord With Canada

PY0405032796 Santiago *ESTRATEGIA* in Spanish
3 May 96 p 29

[Commentary by Rodrigo Diaz A., ambassador to Canada: "Chilean-Canadian Free Trade Agreement: An Opportunity for the Future"]

[FBIS Translated Text] In 1990 Canada changed its commercial and political rapprochement policy, traditionally channeled towards Europe and the United States. An example of this is the fact that the main official visits paid by the head of the Canadian Government, Prime Minister Jean Chretien, accompanied by a large delegation of businessmen, have been to the Asia-Pacific area and Latin America.

As part of these new initiatives, Canada was one of the main promoters of the offer made during the Miami Summit that marked the beginning of talks for

Chile's entry to NAFTA. This offer to Chile sought to balance the continental trade relations, that have always markedly tipped in the United States' favor. One should bear in mind that 81.6 percent of Canada's exports go to its southern neighbor.

Therefore, for Canada — which has one of the most outstanding economies from the macroeconomic viewpoint — represents an attractive alternative to start its entry to Latin America.

Later on, and based on the fact that the United States was unable to continue the Free Trade expansion process south of Mexico, due to domestic policy problems — that is, the opportune approval of the "fast track" [two preceding words in English] — Canada chose to not delay this opening policy and started implementing its own initiatives, designed to attain a leadership in this field in the region.

Consequently, formal negotiations started in December 1995 with the purpose of reaching an "internal" free trade bilateral agreement between Chile and Canada.

Chile represents the logical sequence of Canada's rapprochement towards the rest of the hemisphere: It has a small economy that would not greatly affect Canada's production. Moreover, Chile is constantly developing and there is a great quantity of Canadian investments in our country. Thus, a perfect example of opening is given to the continent and the need for stable and known rules that may regulate the important flow of goods, services, and capital between the continent's economies is proven.

The agreement being negotiated by Chile and Canada would be known as an "internal" agreement because its main objective would continue to be helping Chile join NAFTA. Therefore, it would only be in force until Chile fully joins NAFTA.

Another important element, with regard to "internal," is the use of the same NAFTA language and institutions, to draft the aforementioned Bilateral Agreement. Chile would, thus, start preparing its institutions and domestic regulations for when it starts negotiating its entry to NAFTA. Moreover, the objective of making all regulations in the continent regarding Free Trade Agreements uniform, would start taking place. A set of similar regulations would help understand the regulations related to hemispheric trade, as opposed to multiple agreements with varied and diverse contents.

Furthermore, the multiplicity of regulations could complicate the future integration process, so necessary for our huge continent in a world heading for a greater interdependency and globalization.

The "internal" Free Trade Agreement between Chile and Canada would not only attempt to regulate the trade of goods, but would also include areas closely related to trade: I am talking about services, investments, environment, labor. These are the new issues that various multilateral forums have sought to regulate. Among others, are the efforts made in this sense by the World Trade Organization, the OECD [Organization for Economic Cooperation and Development], APEC [Asia-Pacific Economic Cooperation]. However, the most complete codification can be found in certain bilateral or regional agreements, such as NAFTA or the EU. As a means to include aspects that are transcendental for trade in the Twenty First Century, the bilateral agreement between Chile and Canada would include regulations on these subjects.

The agreement will thus include a chapter related to services, that represents one third of the U.S. economy and regarding which our country has had interesting experiences in other South American countries. Another issue the future agreement would include would be investments, fundamental in the bilateral relationship between the two countries. Establishing regulations for the flow of capital would represent guarantees for the \$7 billion invested by Canadians since 1974, as well as promote more investments that would contribute to a greater growth of our economy.

Environment and its relationship with trade is a vital aspect in our new international economic relations. Therefore, these complementary agreements — environment and labor — between Chile and Canada include the much desired objective of a sustainable growth and development.

Labor, according to what was stated during the Uruguay Round, is one of the new issues related to trade. By including the aforementioned topics, the agreement between Chile and Canada could be considered modern because it would develop, through complementary agreements, new sectors of interest, related to commerce and important for a global and sustainable growth bearing social aspects in mind.

Not only can we talk about a integral and complete agreement, that will expedite and increase the trade of goods, but that will also incorporate other related issues and sectors. This agreement would represent the opportunity to show the continent how a developing economy, such as the Chilean, that has proven to be responsible, to be growing, and stable, can relate in a global manner with an economy considered one of the greatest and most productive in the world, as is Canada that is a member of the G-7, NAFTA, the OECD, and NATO. This would represent the

opportunity to show the international community how Chile has reached a level of prestige and relations, based on the implementation of economic and social policies developed in a prudent and intelligent manner.

Chile: Socialist Party Congress Opens Amid 'Uncertainty'

PY0305222796 Santiago EL MERCURIO in Spanish
3 May 96 p A1

[FBIS Translated Excerpt] The Socialist Party (PS) today opened its 25th Congress amid an environment of tension and uncertainty due to the conflict with the Christian Democratic Party over the PS agreement with the PCCh [Communist Party of Chile] within the United Workers Confederation (CUT), and the harsh sanction imposed on union leader Arturo Martinez yesterday for making a pact with the Independent Democratic Union [UDI].

This congress will establish the political line of the PS for the next century.

Just before the congress, which opens at 0930 in the Diego Portales Building and will be chaired by PS President Camilo Escalona, socialist leaders made a great effort to resolve the conflict with the PDC and to speed up the ruling of the party's Court of Honor (TS) which is investigating charges against two union leaders: Arturo Martinez for making a pact with the UDI which disregards agreements reached by the political commission; and Raimundo Espinoza for forming a list parallel to the official PS list.

Martinez, ex-vice president of the CUT, was separated from the PS for two years last night by the TS. After two years, Martinez may rejoin the party as a militant after an evaluation of his conduct.

The decision was disclosed by TS President Gustavo Horvitz, who said the ruling does not mean Martinez must leave the party.

Raimundo Espinoza was suspended for only six months because he admitted his guilt.

The TS also disclosed its ruling in the case of Lenin Guardia, who was separated from the PS for three years but who may return as militant. [passage omitted]

Colombia

Colombia: FARC Guerrillas Kill 9 in Uraba 'Massacre'

PA0505160696 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1400 GMT 5 May 96

[Report by Maribel Carrillo Pineda; from the "RCN Radio Events" newscast]

[FBIS Translated Text] Authorities have just reported to Radio Cadena Nacional in Medellin that unfortunately another massacre has occurred in the Uraba region.

We have received an official report from the Army's 17th Brigade stationed in Uraba stating that a large group of guerrillas from the 5th Front of the Revolutionary Armed Forces of Colombia, FARC, entered San Jose de Mulatos, a locality in the municipality of Turbo, where they burned several houses. The incident occurred early this morning. Apparently, more than nine people were killed during this armed incursion in that sector of Uraba, Antioquia.

Colombia: 6 Soldiers Die in FARC Ambush in Huila

PA0505235296 Madrid EFE in Spanish
1929 GMT 5 May 96

[FBIS Translated Text] Santa Fe de Bogota, 5 May (EFE) — Government sources have announced that six soldiers died and seven others were wounded today in an ambush guerrillas carried out in a mountainous area in southern Colombia.

The attack on the military patrol was attributed to rebels of the Revolutionary Armed Forces of Colombia (FARC) in a rural area near the community of Oporapa, Huila Department. The sources have affirmed that military forces have been carrying out intense operations against the FARC in this area since last week to control public order.

The dead military officers were members of the counter-guerrilla battalion "Los Panchos," and the sources have stated that they were attacked by the FARC's 13th Front in an area known as San Bartolo, located south of Santa Fe de Bogota.

Several Air Force helicopters are trying to evacuate the dead officers, while the wounded officers were transferred to health centers in nearby municipalities.

In this same place, 9th Brigade troops on 4 May destroyed a rebel camp that could lodge 40 people.

Colombia: Government 'Ashamed' About FARC Murders

PA0605032896 Madrid EFE in Spanish
0146 GMT 6 May 96

[FBIS Translated Text] Santa Fe de Bogota, 5 May (EFE) — The Colombian Government today declared that it feels "ashamed" about the murder of 16 peasants, apparently by guerrillas, and stated that the peace proposals made by the Revolutionary Armed Forces of Colombia (FARC) through the Venezuelan Government and Venezuelan church are "absurd."

Interior Minister Horacio Serpa said "there is no place for the rationale of those who frequently cause the collapse of the normal development of society through crimes" such as today's

Serpa added that the Venezuelan authorities, to whom the FARC today sent a message in which it expresses its desire to reach a peace agreement, are "aware of the great efforts we are making to contain the violence."

The presence of guerrillas along the extensive border both countries share is the cause of permanent tensions in bilateral relations due to attacks by Colombian subversives on Venezuelan police and the kidnapping of Venezuelan citizens in their territory.

The government believes events such as today's, which, according to the minister, "cast us in a bad light in the eyes of the world, induce him to continue the struggle to make law and justice prevail in Colombia."

"We can no longer find words that are appropriate to describe our rejection of and indignation over these events that have wounded Colombia," Serpa said, adding that "the government will not be intimidated" by these events.

According to Army sources, the 16 peasants who were murdered in the predawn hours of 5 May were taken by surprise inside their homes in rural areas of Turbo, the banana region of Uraba Department, by an FARC column.

The same sources have stated that the peasants, including two minors, were hand tied, executed, and their bodies incinerated inside their homes.

The government has offered a 10 million peso reward to whomever provides information on the identities of those who perpetrated the massacre. This attack places the number of victims in Uraba close to 140 so far this year.

Colombia: Attorney General Turns Self In to DAS

PA0305222196 Madrid EFE in Spanish
2128 GMT 3 May 96

[FBIS Translated Text] Santa Fe de Bogota, 3 May (EFE) — Colombian Attorney General Orlando Vasquez Velasquez today turned himself in to the Administrative Department of Security (DAS), 24 hours after the Prosecutor General's Office ordered his arrest for alleged illegal enrichment.

Attorney Vasquez Velasquez, elected as head of the Public Ministry in 1994, arrived at DAS headquarters at 1600 hours (2100 GMT). Vasquez had announced through family members on Thursday that he would turn himself in after taking care of some personal matters.

The attorney general, suspended from office for three months by request of the Supreme Court, is accused of cashing checks issued by the Cali cartel, accumulating unjustifiable wealth, and obstructing a legal investigation regarding his conduct.

Colombia: Bankers Walk Out on Samper During Congress

PA0405045596 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 3 May 96

[From the "Latest News" newscast]

[FBIS Translated Text] [Juan Gossain, anchor] President Ernesto Samper Pizano is delivering the closing speech at the Bankers Association [Asobanc] in Cartagena de Indias. As reported live by RCN, President Samper arrived a few minutes ago at the Cartagena de Indias Convention Center where a difficult moment arose when a number of association leaders left the hall. There were cat calls and applause at the door of the Convention Center. We return to Cartagena de Indias, and Jairo Tarazona.

[Jairo Tarazona, reporter] As you have mentioned, the president was slighted here. A kind of sabotage of President Samper occurred here when a group of persons attending the Banker's Association Congress left the hall. One of those leading the exodus is Dr. Fernando Londono Hoyo, Fernando Botero's lawyer. Were you the leader of this act of sabotage, Dr. Londono?

[Londono] I do not know why you say that. I am not leading anything. As a free and independent citizen, I simply do not want to be in the same room in which the person that is speaking is a person sponsored by the drug cartels. It is as simple as that. What is so odd about that?

[Tarasona] But regarding this slight, is anything to be gained by this act against the president?

[Londono] I do not know what is to be gained when citizens express their opinion in the name of individual and public morality and assume certain positions.

[Tarasona] However, this was premeditated. Since yesterday, there was talk that soon there would be [word indistinct], that you were going to leave. That you were going to turn your back on the president.

[Londono] I have not the slightest idea of what you are talking about. Personally, I will tell you that I am not going to be in the same room with anyone who has anything to do with the drug cartels.

[Tarasona] Your presence here indicates that you are also a banking official.

[Londono] I am president of the board of directors of the Bank of the Pacific. I came to Cartagena de Indias to discuss the problems of the banking industry with my colleagues and to gain greater knowledge of the dramatic situation the country is experiencing, of which we bankers are the thermometers, since we are the first to register the tremors that have been occurring within Colombian society. That is why I came to Cartagena de Indias.

[Tarasona] Thank you very much, Dr. Londono. Londono is here in the Convention Center. At this moment President Samper is speaking. Let us listen to the conclusion of his speech.

[Samper] I would have no qualms about playing the role that some have assigned to me, if I were guaranteed that after this they would not take the heads of other innocent people. Including some of your heads, turning this process, which should be a process for social redemption, into a moral butchery for the delight of a few of you here, and our stigmatization before the world.

It is not easy. I tell confidentially, it is not easy to suffer the heavy burdens, which my family and I have experienced in recent months. Labeled and attacked in a holy war in which the most belligerent protagonist are precisely those that are the most unsaintly.

It is not easy, like in the stories and horror movies, where there is the possibility of a happy ending. The happy ending will be that which will not prevent us from losing heart in the fight against drugs, but that will also commit the rest of the world to take up its responsibility regarding consumption, the sale of chemical precursors and weapons, which they are killing and poisoning us.

Let us view this as an opportunity to demonstrate that our institution work, starting with the justice system.

Let us view this also, without sensationalism, as a place to vindicate to the world our costly and painful struggle against drug trafficking. Let us view this as a road to establish the foundation for a new, less stained, cleaner society for all of us. That possibility should also be included in the agenda.

I could not finish these words without some final thoughts aimed at my friends and president of associations. The government is receiving your opinion regarding the crisis with much interest, even though the conclusions and opportunity to present them may not coincide with the government's. It understands the concern of the sector that opposes the government, who along with those that are charmingly referred to in Santa Fe de Bogota as the co-conspirators, produced the only news in which the unions and the administration could have areas of agreement regarding the crisis. As if we spoke, or had to use different languages. As if all of us did not want the best for Colombia. What is important, as I pointed out in Monday's meeting, is not to become a part of the parties on either extreme, or get carried away by negativism, much less anticipate political consequences regarding legal decisions that would end up turning the trial in a state of law into a lynching without a guillotine.

The administration is aware of its responsibility, however it also know that its task is not to polarize, but to unite the country. Presidents do not have a right to be pessimistic. We are elected to open windows, not to close doors. That is why I have come here to the Banking Association, despite the warnings of some of my advisers that there could be manifestations of hostility and unconformity, which I have seen. Manifestations that I consider legitimate, because I do not recognize any Colombian as my enemy. What you cannot ask me is to accept is to accept becoming part of the same drama that the lion went through when at that one moment, he secretly hoped for the hand of the daughter of a game warden. Required by the king of the jungle, the astute game warden asked that as proof of his nobility he remove his mane, which the lion did after he went to a good barber. The...

[Tarasona, interrupting] Well, this is the intervention of President Ernesto Samper Pisano...

[Gossain, interrupting] Tarasona, let us hear, please.

[Samper] He quickly got an dentist and then to a manicurist to complete the task cutting his fine claws, also at the request of the game warden. Finally, a good nutritionist took great care to streamline the king of the jungle's graceful figure, also at the request of the damsel's father.

When he was weak, without teeth, claws, and very bald, the lion renewed his request for the game warden's daughter's hand in marriage, the game warden tied him up without any problem and sold him to the circus that was passing through town. My administration will be as firm in finding a solution to this entire crisis as it will be energetic in resisting what happened to the lion — the removal of the teeth of the social leap, the mane of a good economic policy, his defense strategy put on a diet, or the removal of the claws that will allow us to put into effect the agenda for national reconciliation, which we have launched this afternoon, here in Cartagena de Indias, the capital of the world regarding tales of witches and pirates. Thank you very much.

[Gossain] Excuse me, Tarazona, for having interrupted you, but you were going to leave the lion's tale half told. Imagine, we would not have known how the fable ended.

[Tarazona] Yes, how terrible, Juan. But since the president had already referred to it previously... Anyway, President Samper Pisano has closed this Banking Convention, which has not resulted in anything definite.

Colombia: Samper Closes Congress, Reaffirms Policies

PA0405050696 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0350 GMT 4 May 96

[FBIS Translated Text] Cartagena — In a tense climate, marked by the dissatisfaction of a sector of financial organizations, the curtain has been drawn on the 30th National Convention of the Banking Association. Approximately 20 delegates to this congress gradually left the premises where President Ernesto Samper delivered the closing speech. Samper promised to the bankers that next week he will present a package of reactivation measures he has been preparing especially to reinforce critical areas like construction.

[Begin Samper recording] There will be no sudden changes in the economic policy because this is a serious and dynamic policy, in accordance with the new constitutional circumstances. We have not wasted time in developing this policy, as a former finance minister said recently. We barely spent enough time in returning things to their proper places, filling up a few fiscal gaps, and reasonably checking the galloping tempo of the public spending we found. [end recording]

Samper also told bankers and delegates of the business associations who attended this event at the Conventions Center that they are wrong if they believe that the governability problem will continue with his continued presence in the government. This is what he had to say on this.

[Begin Samper recording] Somewhat simplistically, it is supposed that a change of government, now or later, will make secular problems, which we have never tackled seriously, disappear as if by magic. Some people think that, if I leave, the threat of guerrillas will end, there will be no more drug traffic, the economy will be born again like the Phoenix, and the poor will no longer lack anything. [end recording]

Samper's closure of the Banking Association's congress ended like this.

[Begin Samper recording] My government will be firm in finding a solution for this crisis and strong as a lion to resist having its social leap teeth pulled and the mane of a good economic policy sheared, its defense strategy put on a diet, and the claws, which will make it possible for everyone to start the National Reconciliation Agenda that we launched this afternoon here, in Cartagena, the world capital of the stories on sorcerers and pirates, removed. Thanks. [end recording]

Colombia: Poll Shows More Dissatisfaction With Samper

PA0505143096 Madrid EFE in Spanish 1915 GMT 2 May 96

[FBIS Translated Text] Santa Fe de Bogota, 2 May (EFE) — According to a poll conducted in four of the country's main cities and released today in Santa Fe de Bogota, most Colombians have an unfavorable opinion of their president, Ernesto Samper, who for a year has been dodging a serious crisis due to reports of "narcomoney" infiltrating his electoral campaign.

The poll, which was conducted by the "Napoleon Franco" firm, concluded that 55 percent of the citizens interviewed have an unfavorable opinion of the head of state, while 42 percent favor him.

The results show a greater loss of image by the president and a drop in his popularity rating compared to a previous poll held in December by another company, which also included the country's four main cities: Santa Fe de Bogota, Medellin, Cali, and Barranquilla.

According to that poll, which was conducted by "Gallup de Colombia," and which questioned 1,000 citizens, Samper had in December a 46-percent approval rating, while 42 percent did not favor him.

The new poll, which questioned 838 people, also found that such problems as unemployment, lack of security, peace with the guerrillas, corruption, the cost of living, and the struggle against drug trafficking are of greater concern to Colombians than the scandal unleashed over reports of drug trafficking money in Samper's electoral campaign.

In other words, the "narcoscandal" ranks seventh in the list of worries of Colombian citizens. Seventy percent of these citizens have an unfavorable opinion of the United States, while 20 percent like the country.

Colombia: VP Says He Did Not Receive Money for Campaign

PA0305224296 Santa Fe de Bogota EL TIEMPO
in Spanish 1 May 96

[Received via Internet]

[FBIS Translated Text] Colombian Vice President Humberto de la Calle told the National Electoral Council the he became involved with the "Samper for President" campaign a few days after the Liberal Party convention (18 March 1994) and that he neither solicited nor received money for the presidential campaign.

According to de la Calle, it was agreed with then candidate Ernesto Samper that the government program should be based on the "revitalization of the social platform, the search for peace, and a continuation of the open economy policy."

In contrast with the previous program agreements, de la Calle stated emphatically that he did not make any financial agreements with the "Samper for President" campaign, and that the campaign only covered the travel expenses of trips he made as the vice presidential candidate.

In addition, de la Calle pointed out that the Modern Colombia Association, the organization in charge of gathering funds for the Samper campaign, paid him a salary of 9.9 billion pesos.

However, de la Calle said that none of the donations received by the liberal campaign were received in his presence. "In my particular case, I did not carry out any direct financial activity, solicit money for the campaign, or receive one peso for the campaign."

Likewise, de la Calle declared that none of his advisers were a part of the financial organization of the liberal campaign, and that his functions were limited to "discussions with the presidential candidate and his advisers regarding political strategy; formulating conceptual answers to the other candidates; taking care of the communications media and of news conferences; promulgating the ideological platform to universities, unions, and women's, youths', and peasants' associations, businessmen's forums, and other diverse meetings, in the midst of an activity that I would not hesitate to describe as intensive."

In conclusion, Vice President de la Calle reaffirmed that he did not exactly have a structure for the vice presi-

dential campaign, and that the "Samper for President" campaign paid for all the expenses generated by his activity, as established by Article 13, Law 130, of the 1994 Electoral Law.

Colombia: Presidency Note on Business Council Meeting

PA0305204996 Santa Fe de Bogota EL TIEMPO
in Spanish 30 Apr 96

[Communique issued by the Presidency of the Republic in Santa Fe de Bogota on 29 April — received via Internet]

[FBIS Translated Text] Communique from the Presidency of the Republic:

President Ernesto Samper Pizano today met for several hours with the members of the National Business Council.

Amid an atmosphere of cordiality and after the president offered a detailed explanation on the economic, political, and international situation of the country, different alternatives to resolve the political crisis were analyzed.

The business associations presented their position and the president of the Republic insisted on the need to see a national consensus solution, without any winners or losers.

At the end of the meeting, the government and business associations agreed to work together on one of the topics of what the president of the Republic called "the national reconciliation agenda."

The president reiterated before representatives of the business organizations that, like he said at the opening speech of the Congressional special sessions, he pledged to preside over a solution to the political crisis at the time the Chamber of Representatives issues a pronouncement.

"This is what I will fulfill when the decision that I hope will confirm my innocence is rendered," President Ernesto Samper stressed.

He warned, once more, that he cannot accept the fact the solution to the crisis is confused with the departure of the president, as if the government was responsible for the events that led to the disturbance that is now mentioned to justify his departure, ignoring in the process the thousands of Colombians who, according to the polls and in larger numbers, don't want him to leave.

"Thus, the path that is found cannot be a solution with winners and losers: it will be a solution of national

reconciliation or it will not be a solution," President Samper remarked.

[Dated] Santa Fe de Bogota, 29 April 1996

Colombia: EU Issues Communique on Political Situation

PA0505042096 Santa Fe de Bogota EL
ESPECTADOR in Spanish 2 May 96 p A5

[FBIS Translated Text] After placing Colombia at the top of issues on Andean matters and not forgetting to reject unilateral measures used to evaluate antidrug policies, the diplomatic community of EU countries accredited in Santa Fe de Bogota has decided to assess the Colombian political crisis from a perspective of "constructive concern."

A joint document, to which EL ESPECTADOR had exclusive access, by the embassies of the 15 EU countries represented in Colombia has recognized for the first time the need to follow the country's political situation more carefully, given that several European governments are interested in sponsoring an array of private investments in key areas, such as the electricity sector.

According to the document, the EU is deeply committed to the principle of joint "responsibility" in fighting the supply and demand of illicit drugs; therefore, it will continue to support the system of preferential tariffs for the Andean countries as already included in the Cochabamba Declaration, which was signed last month between the Rio Group and the 15 members of the EU.

The document states further that the EU recognizes the efforts the Andean community has made to counter drug trafficking, as evidenced by its support for Colombia. The EU also urges the United States to include the topic on its agenda during the transatlantic talks and approach the topic with a better understanding.

In conclusion, the EU has disclosed that it has discussed the issue of the Colombian political crisis with business associations.

Ecuador

Ecuador: Security Council Secretary Denies Plane Purchase

PY0305174896 Madrid EFE in Spanish
1515 GMT 3 May 96

[FBIS Translated Excerpt] Quito, 3 May (EFE) — General Telmo Sandoval, secretary of the National Security Council, reported today that the Ecuadoran Air Force (FAE) will not purchase new fighter and training planes to replace those decommissioned last week, as reported on 2 May by a local newspaper.

"It is not economically possible for us to replace those planes," Gen. Sandoval said in response to a report by the Guayaquil newspaper EXPRESO, which cites FAE sources who reported that the Air Force intends to buy 16 aircraft to replace the 30 planes that were decommissioned on 26 April.

Nevertheless, FAE sources consulted by EFE said that the type of aircraft that will be purchased to replace the obsolete ones is under study. Several of those decommissioned planes participated in the undeclared war between Ecuador and Peru in January and February 1995. [passage omitted]

Ecuador: Minister Contradicts Official on Plane Purchase

PY0405025596 Madrid EFE in Spanish
1855 GMT 3 May 96

[FBIS Translated Excerpt] Quito, 3 May (EFE) — In less than 24 hours, Defense Minister Alfonso Alarcon has contradicted remarks made by National Security Council Secretary General Telmo Sandoval, who denied that Ecuador would buy airplanes to replace the combat and training planes that were put out of service last week.

"Let's hope we will be able to get some airplanes to replace the ones that were put out of service," said Alarcon, who added that this does not mean "we will have an arms race because Ecuadorans advocate peace and we (military men) respect the people."

The Ecuadoran Air Force on 26 April put out of service 30 AT-33 combat and training planes in the air base of Manta.

"We would like to have all the obsolete airplanes and equipment that are needed by the Armed Forces replaced to have a deterrent power," Alarcon answered to a direct question from the media on the alleged purchase of 16 planes to replace those out of service. [passage omitted]

Ecuador: General on Efforts To 'Perfect' Security Manual

PY0405003596 Quito Voz de Los Andes in Spanish
2300 GMT 3 May 96

[FBIS Translated Text] Ecuador and Peru are assessing the incorporation of several articles in the security manual used by the Ecuadoran and Peruvian troops, in order to perfect this document and continue living in peace. This information was disclosed by Ecuadoran General Carlos Calle Calle, commander of the Fourth Amazon Jungle Division, who has jurisdiction over the border zone with Peru.

On 29 April in Shell Mera, Ecuador, Gen. Calle and his Peruvian counterpart, Gen. Luis Perez Document, who is commander of the Sixth Military Region headquartered in Bagua, Peru, concluded a series of two meetings.

Calle revealed that during the aforementioned meeting with his Peruvian counterpart they studied the possibility of including several articles in the security manual with the purpose of perfecting this document in order to make it more practical.

The security manual includes a series of procedures for the Army, Navy, and Air Force officials of the two countries stationed in border zones, so that anything to do with interrelations can develop smoothly and without any incidents. Calle said that, although the security manual currently in force works, they wish to include certain articles resulting from the experience of using the manual. This will contribute to make a more perfect document that will allow us to coexist in an orderly and adequate manner.

Paraguay

Paraguay: Violence, Police 'Repression' Mark Strike

PY0305185196

[FBIS Report] Asuncion ABC COLOR in Spanish on 3 May carries several reports on the first day of the general nationwide strike.

A 400-word report on page 3 states: "Serious clashes between unionized workers and the police on 2 May — the first day of the 48-hour strike called to demand a 31-percent salary hike and repudiate President Wasmosy's 'neoliberal policy' — at several points of access to the metropolitan area and in downtown Asuncion left some 50 people injured and more than 20 people arrested, including Alan Flores, president of the CUT [United Workers Trade Union Federation], and Eduardo Ojeda, the president of CNT [National Workers Federation]."

The reports adds that "violence erupted at Madame Lynch and Eusebio Ayala Avenues after 0500 on 2 May and lasted approximately two hours because the strikers tried to block these accesses to the capital.

"At one point, Alan Flores, Eduardo Ojeda, and other union leaders were also arrested, unleashing a veritable battle in which the strikers used sticks and stones and the police wielded truncheons and even fired guns into the air to disperse the workers.

"The police accused the union leaders of 'disrupting public order.' Even though the union leaders were finally released, Criminal Judge Gustavo Ocampos indicted 14 of them, including Flores and Ojeda."

The report goes on to state that some 3,000 demonstrators marched in downtown Asuncion, "burned a coffin marked 'Wasmosy lies here,' and shouted demands for the president's resignation."

According to the report, "ABC COLOR journalists Celsa Pereira and Juan Ramon Avila were injured and Radio Nanduti reporter Jorge Benitez was severely beaten during the incidents at Madame Lynch and Eusebio Ayala Avenues and at Plaza de la Democracia. A cameraman and a journalist of another news medium were also victims of repression."

The report quotes the organizers of the strike as claiming "90 percent compliance with the strike," while some businessmen estimated that "60 percent of the workers joined the strike."

The report indicated that "top Authentic Radical Liberal Party and National Encounter Party leaders urged their fellow party members to stage a 'civic strike' on 3 May out of solidarity with the strikers and 'to repudiate government violence.'"

On page four, a 600-word report indicates that "the first incident took place on Artigas Avenue, where a group of organized workers tried to march toward the Plaza de la Democracia in downtown Asuncion but was prevented from doing so by police detachments, including mounted police."

According to this report, the demonstrators on Madame Lynch and Eusebio Ayala Avenues were "stoning buses carrying passengers. Several windshields and windows were broken." The report states that "demonstrators, politicians, and union leaders unanimously criticized the use of firearms and the attacks on journalists covering the events."

The report adds that "Deputy Juan Carlos Ramirez and Senator Juan Manuel Paralta showed up where the incidents were taking place, bringing along Eduardo Estevez, representative of the Latin American Confederation of Workers, and Carlos Custer, representative of the World Confederation of Labor. Together, they urged Police Superintendent Torales, in charge of the operation, to stop the repression."

A 300-word report on page six states that "during the first day of the general strike called by labor confederations, approximately 70 public buses were damaged, according to owners of bus companies." The sources indicated that "67 windshields and approximately the same number of side windows were shattered, and two buses were burned completely." Other buses were slightly damaged by fire bombs.

According to a 200-word report on page seven, "there was very little activity in the main commercial areas in Asuncion." More than 80 percent of the shops in and around the main metropolitan market remained closed, and the "central wholesale market shut down." The Ministry of Education suspended classes at state schools on 2 and 3 May. "Thus, there was very little movement of students in the capital city. Although some private schools did open, they had fewer students than usual."

A 200-word report on page eight indicates that "at least 50 civilians and nine policemen were injured during the incidents provoked by the strike." The report adds that Senator Juan Fernando Kurz of the National Encounter Party was among those injured.

Paraguay: 2d Day of Strike Developing 'Normally'

PY0305133996 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish
1110 GMT 3 May 96

[Report by Maria Cristina Sanabria from the intersection of Eusebio Ayala and Madame Lynch Avenue in Asuncion — live]

[FBIS Translated Text] [Sanabria] We can tell you that the workers' march is developing normally without any incidents. The demonstrators are marching toward downtown Asuncion. We have with us Eduardo Perez, a leader of the Fetrap [Transport Workers Federation]. The transport workers' compliance with the strike has been vital to it, but I see there are some bus lines working.

[Perez] Yes, these are lines whose workers are not unionized and we expected that they would work. There are not as many of them as the bus owners hoped, either. I would say that approximately 15 or 20 percent of the metropolitan buses are working. Transport workers' leaders are very satisfied with the rate of compliance, and we believe that the strike has been successful.

[Sanabria] Thank you, Eduardo. We also have with us Senator Juan Manuel Peralta [National Encounter Party]. Good morning, Senator. It seems that, fortunately, today's situation is completely different from yesterday.

[Peralta] Good morning, Maria Cristina, good morning dear viewers. This is the way things should have been handled yesterday: An agreement between the leaders and the police to allow the people to march peacefully, as is happening right now. I am very happy that this is the way things are now, and hope that there will be no more repression.

[Sanabria] Thank you very much, Senator. Several congressmen and leaders of different organizations are

walking alongside the workers as a way of ensuring that there will be no more repression.

Paraguay: 2d Day of Strike 'Calmer' Than 1st

PY0305181996 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish
1615 GMT 3 May 96

[By Stella Ruffinelli; from the "24 Hours" newscast]

[FBIS Translated Text] The second day of this general strike, the fourth since 1989, was a good deal calmer than the first one. The demonstrators again gathered at key accesses to the capital but this time there was no police repression there, or during the workers' marches in downtown Asuncion, except for a few minor incidents and throwing of stones at downtown stores in order to force them to close their doors.

The Feprinco [Federation for Production, Industry, and Trade] held a news conference in the morning to harshly criticize the workers, particularly their union leaders, for the nature of the strike and its objectives. Chairman Arturo Jara Avelli came out very forcefully against the strike.

A rally will be held later this afternoon to wrap up this 48-hour strike in which peasants participated for the first time. There were not as many peasants as the strikers expected, but still they came to convey their solidarity to the workers. This time the opposition parties openly supported the workers, particularly in view of the repression they suffered yesterday.

There was some talk initially that the owners of public transportation buses would receive some sort of compensation for the damage inflicted on the buses while working on 2 and 3 May. The administration, however, has refuted this, and the bus owners will have to fix their broken windshields and windows on their own.

Paraguay: Workers Close Strike With Rally in Asuncion

PY0405030796 Asuncion RPC Television Network in Spanish 0000 GMT 4 May 96

[FBIS Translated Excerpts] Workers closed the general strike with a rally at Plaza de la Democracia. Workers' leaders spoke about the strike's categorical success.

[Begin recording] [Eduardo Ojeda, National Workers Federation secretary general] The victory and resounding success of this national protest, this day of struggle...

[Alan Flores, United Workers Trade Union Federation secretary general, in progress] ...has again reaffirmed the participation of popular groups in the struggle against government neoliberalist policies, which condemn our

people to suffer under misery, corruption, and poverty.
[end recording] [passage omitted]

Paraguay: Germany's Kinkel Arrives in Asuncion
*PY0405031096 Asuncion RPC Television Network
in Spanish 0000 GMT 4 May 96*

[FBIS Translated Text] An official mission of the Federal Republic of Germany headed by Vice Chancellor Klaus Kinkel is visiting the country. German Foreign Minister Klaus Kinkel arrived at the international airport nearly one hour late. His plane landed around 1330.

The purpose of his visit is to confirm his government's support to the process of consolidation of Paraguayan democracy. The German foreign minister did not talk with reporters upon arrival. He had various meetings with government authorities, politicians, and representatives of other social groups.

Kinkel will take advantage of his visit to review the situation of more than 600 million German marks that were loaned to Paraguay.

Peru

Peru: Military Court Official on Spy Network for Ecuador

*PY0305155796 Lima LA REPUBLICA in Spanish
1 May 96 p 11*

[FBIS Translated Excerpt] According to an official of the Supreme Court of Military Justice yesterday, following the arrest of Navy Noncommissioned Officers Olguer Moran Cruz and Santos Cruz Dioses and municipal servant Felix Camizan Guerrero, the National Intelligence Service [SIN] uncovered a network of 20 spies who sold secret military information to Ecuador.

The official explained that a special team of the Second Judicial Zone, headed by a Peruvian Navy admiral, identified the 20 individuals — civilians and military personnel — who comprised an espionage network operating in Peru for the past seven years.

The SIN has been following their steps for the past four months and will soon arrest them, according to the source.

According to preliminary investigations, the network was headed by Olguer Moran and Santos Cruz, while Camizan Guerrero was in charge of taking the secret information obtained by the spies to Ecuador.

Moran and Cruz were arrested four months ago by the SIN, and they have been held, since that time, at the naval base in Callao, where they are being subjected to exhaustive investigations.

Every five months the spies supplied secret information to the Ecuadoran Intelligence Service about the movement and number of troops and weapons of the Peruvian Navy.

The Navy officers and municipal workers were recruited by Ecuadoran secret services in 1989, and since then they have been in contact with people who had access to secret military information, according to the military source.

The source added that Camizan took advantage of his knowledge of witchcraft to visit military bases without awakening any suspicion and obtain information, which he then supplied to Ecuador.

Camizan was arrested by counterintelligence agents on 3 April in Aguas Verdes, Tumbes, when he was about to give the Ecuadoreans six documents and maps containing information about Peruvian troops, the location of watch posts, ammunition, and weapons. [passage omitted]

Peru: Resources for Antidrug Effort Said 'Unimportant'

*PY0405033196 Lima EL COMERCIO in Spanish
1 May 96 p A23*

[FBIS Translated Text] The New National Strategy for Antidrug Enforcement, of the United States, repeats substantial aspects of the policies that have been implemented in the last 10 years and only varies with regard to the emphasis given to certain aspects.

Regarding the allocation of resources to the drug-producing countries, such as Peru, the policy becomes secondary and even unimportant.

The U.S. strategy consists in a set of short-term actions that refer to aspects of the antinarcotics enforcement that are very sensitive to the U.S. voters.

Diego Garcia Sayan, executive director of the Andean Committee of Jurists, has asserted that if Peru plans to implement compulsory eradication of the coca fields without offering, simultaneously, feasible opportunities to the coca growers, there will be social tension and the results will be counterproductive.

"President Clinton plans to attack the drug-producing sources in order to prevent these from reaching his country. This way, he only gives priority to interception of the so-called 'narcoflights,' control of the chemicals used to process the drug, and the eradication of the coca fields," Garcia Sayan pointed out.

Previously, Barry McCaffrey — the official in charge of the U.S. antidrug policy — had asserted that through

efforts to intercept the drug in South America "...only one third of the cocaine produced in the region is intercepted before reaching our streets and those of other countries."

"The whole aspect of international cooperation for a thorough and overall control of the drug trafficking problem remains a marginal preoccupation and occupies a secondary position at the time of allocating funds for this fight," Garcia Sayan said, focusing on the level of importance given to Latin America. This attitude also makes the duties of the Latin American Armies very similar to eminently police-like duties, which have a great corruption potential.

Garcia Sayan said that studies conducted in Peru indicate that, compared to 1993 and 1994, a much larger amount of drug is being processed and that the amount tends to increase further.

"In face of this, compulsory eradication is counterproductive because the goal of eradicating a determined amount of hectares of coca can be reached, but this would generate great social tensions. The coca problem in Peru is a social problem."

He estimated that there is no voluntary eradication of coca fields in Peru and that the eradication of coca fields without any alternative solution is "pure dynamite," a real "time bomb."

"There is no cooperation in this regard and if Clinton wanted to give a social answer to the problem, he would have his hands tied by the electoral campaign and the strong pressure exerted by the Republicans, who are interested in reducing the budget assigned to international cooperation," he added.

Uruguay

Uruguay: General Mayo Installed as Intelligence Chief

PY0305222996 Montevideo EL PAIS in Spanish
24 Apr 96 p 9

[FBIS Translated Excerpt] Air Force Brigadier General Jose Enrique Mayo was installed yesterday as the new Defense Ministry General Directorate of Intelligence [Direccion General de Informacion del Ministerio de Defensa] (DGID) chief, replacing Rear Admiral Oscar Otero. The discreet transfer ceremony was held at the DGID Main Hall on 8 de Octubre Avenue. Defense Minister Raul Iturria, the three commanders in chief of the Armed Forces, and high-ranking Armed Forces officers were present. [passage omitted]

Uruguay: New Central Bank President Capote Installed

PY0205233496 Montevideo LA MANANA in Spanish
19 Apr 96 p 3

[FBIS Translated Text] Accountant Humberto Capote was installed on 18 April as chairman of the Central Bank of Uruguay board of directors, replacing accountant Ricardo Pascale, who resigned.

Dr. Julian Moreno was appointed by the executive branch as deputy chairman of the Central Bank of Uruguay board of directors for accompanying Capote in his term of office.

The brand-new Central Bank president was installed in his post by Economy and Finance Minister Luis Mosca.

Uruguay: Red Brigades 'Heavyweight' Found in Montevideo

PY0305174296 Montevideo EL PAIS in Spanish
27 Apr 96 p 18

[FBIS Translated Excerpt] High-ranking government sources have acknowledged that three members of the German terrorist organization the Red Brigades arrived in Uruguay approximately two months ago and that one of them is still in Uruguay. The government sources, who wished to remain anonymous, said: "The three members arrived in Uruguay without problems; obviously, Germany allowed them to leave."

Two of the subversives have "seemingly" left Uruguay, but the third one, who has family ties with a former Tupamaro terrorist, "is still here."

This member of the Red Brigades served a 20-year imprisonment sentence in Germany, "which shows that he is a heavyweight." The sources did not reveal whether the other two members had been in jail in Germany.

The same sources further reported that police personnel from the National Directorate of Information and Intelligence "are closely following" the activities of the Red Brigades member who is still in Montevideo and the other two who have already left.

"They are traveling, making contacts, besides getting out for fresh air," explained the sources, without providing any more details.

This notwithstanding, the sources asserted that except for the contacts that they had made — even given the family ties one of them has with a former Tupamaro guerrilla — "no unusual situations were observed." [passage omitted]

Uruguay: Leftist Leader Sparks Controversy With Tupamaros

PY0305191596 Montevideo EL OBSERVADOR
in Spanish 26 Apr 96 p 3

[Article by Loreley Nicrosi; from the EL OBSERVADOR editorial office]

[FBIS Translated Excerpt] A harsh pronouncement by [former Broad Front president] General Liber Seregni, retired, laid bare a new and bitter confrontation within the leftist coalition. Seregni asserted that the Tupamaro National Liberation Movement (MNL) do not embody — and have never embodied — the ideals of the Broad Front. He moreover accused MNL members of acting on the basis of "conspiracy and intrigue," adding that the MLN project "is totally anti-Broad Front."

Seregni also asserted that the Tupamaros damage Tabare Vazquez [former Montevideo mayor and Broad Front leader] with their actions. Eleuterio Fernandez Huidobro, the historic leader of the MLN, challenged Seregni to formally propose the expulsion of his movement from the Broad Front.

Seregni made these remarks during an interview with the [Radio CX 24] program "New Times for All" following several criticisms voiced by Fernandez Huidobro. Sources close to the retired general asserted that following this statement, Seregni will hold his peace.

"The project furthered by the MLN is totally anti-Broad Front because they do not want our coalition to come to power to effect the changes the coalition needs," said Seregni during the interview. He went on to say that the messages that come from the radical sectors of the Broad Front "have a perverse component" and they seek to "cause disunity" so as "to raise doubts and suspicion." According to Seregni, these messages are the result of "a theory put together by a group of people who are used to, or have been trained in, conspiracy and intrigue and are guided by these ideas in their political actions." [passage omitted]

[Montevideo EL OBSERVADOR in Spanish carries, in the same edition and on the same page, a 150-word comment by Alfonso Lessa, which says: "The unusual harshness with which Seregni referred to the MNL exposed the existence of deep ruptures within the Broad Front.

"It is an open secret that the Tupamaros have always been a bone of contention between the parties making up the leftist alliance. Seregni had so far taken good care in refraining from publicly voicing such critical opinions. Perhaps his current position — outside the presidency — enables him to advance such weighty arguments.

"It could be argued that Seregni is no longer the Broad Front president and, therefore, his remarks do not have much importance. Nevertheless, this is not so, not only because of the great weight he still carries, but also because his stance represents the thought of the moderate sectors of the coalition.

"Whether one likes it or not, Seregni's pronouncement left Tabare Vazquez in an uncomfortable situation because if the latter defends the former president he may incur the radicals' disfavor, and on the other hand, it will be unwise for Vazquez to openly clash with Seregni.

"In any case, this event clearly shows the existence of different and opposing ideas and proposals within the leftist coalition. It is a moot question what the future of the Broad Front will be."

Venezuela

Venezuela: President Delivers May Day Address to Workers

PA0405173596 Caracas Venezolana de Television
Network in Spanish 0000 GMT 1 May 96

[Address by President Rafael Caldera on the occasion of May Day; place and date not given; broadcast in progress — live or recorded]

[FBIS Translated Text] ...international workers' day, it is the right moment to send cordial greetings to all Venezuelan workers and to renew the confidence that Venezuela has on its working men and women and to renew the confidence that its working men and women have on the future of their dear fatherland, Venezuela.

I must state on this occasion that during the past year I have attended the inauguration of many important companies. At all of them, the heads of the companies recognized the work done by the working teams.

On more than one occasion, important recognition has been given to our workers' devotion, their fulfillment of their duty, and their interest in doing the job. On many occasions, the factory construction program was completed in a shorter time because workers produced more than what was expected of them according to international standards.

That is why at this time I would like to reiterate that Venezuela has confidence in its working people. This recognition has a special importance at this time because we are initiating a new stage in the country's life in which the success of the effort we are all doing depends on the work we can do to achieve the stability of our economy and to achieve the progress to which we have a right, as a country with so much natural wealth and so many development possibilities.

May workers receive cordial greetings from someone who has been linked to them for a very long time. The year 1996 is the 60th anniversary of the creation of the National Labor Office and the enactment of the Labor Law of 1936, which is the basic foundation of Venezuelan labor laws.

In these 60 years I have been alongside the workers, defending their rights and also demanding the fulfillment of their duties. In certain circumstances, in two of them to be exact, I have had to represent the Venezuelan state at the helm of the government. As an employer, I have always recognized the workers' rights to their benefits.

Of course, we have taken care of their benefits as much as possible, always defending common interests, because it is up to all of us to help Venezuela completely recover from the serious damage inflicted on the country by those who made huge mistakes in the past. On this occasion, I would like to insist that work is the basis for Venezuela's recovery. This is not fiction; it is the truth. It is work, the work of those who are not listening to those calling for laziness and violence. It is the work of those who are devoted to the country's development. This development is taking place despite all the obstacles, because I am convinced that the Venezuelan people and the working masses believe in the firm conviction we all have, especially the government, to make our country advance during this difficult stage we have had to endure.

We are not worried about the arrival of the year 2000. We see the arrival of the year 2000 with hope, because we know that by then, the horizon will be open and the road toward the total recovery of the country and the increase in wealth and welfare in all Venezuelan homes will be solid.

When we had the need to dictate harsh measures we knew that the country would understand. We especially knew that workers would have the understanding and patriotic spirit to receive them. They understand that this is everyone's commitment. At the same time we dictated those measures, we said the fundamental condition was the social aspect, including the real income of public sector employees. We also said we were willing to adopt all the necessary decisions that could promote the increase of real wages in the private sector. We believe this is the proper time to do so, and we are going to demonstrate it in the coming days.

I must say something else: 1 May 1996 is the fifth anniversary of the enactment of the Basic Labor Law. This Basic Labor Law, which was the result of a great deal of effort, was also the result of a consensus. The provisions of this law remain in effect. The legal text, which protects the rights of workers in an ample manner,

as a just and modern country must do, also contains provisions that can allow us to face new situations, some of them serious. Lawmakers did not lose sight of the country's fundamental interests and needs. This fifth anniversary of the enactment of the Basic Labor Law is a reason to renew commitment, the commitment of Venezuelan workers to give their best efforts for the country. The commitment of Venezuela, which I have the privilege of representing, is to recognize and proclaim that work is the fundamental element, as it is stipulated in the preamble of our Constitution.

So, workers, receive my kindest regards, full of hope and faith in this May Day, international workers day. Thank you very much.

Venezuela: CTV Unions March, Demand Reform of Labor Law

PA0505145796 Caracas Venezolana de Television Network in Spanish 1530 GMT 2 May 96

[FBIS Translated Text] To confront the measures, which include bonuses to public workers, the country's unions will go to the National Congress to request reforms to the labor law. The announcement was made during the 1 May march, which is International Labor Day, by Federico Ramirez Leon, president of the Confederation of Venezuelan Workers [CTV], who said that they had an urgent struggle on hand.

[Begin Ramirez recording] We will go to the National Congress to ask that the labor law be amended to prevent that salary bonus policy. [end recording]

The march took place without incident and was attended by 322 unions grouped under the CTV's four main labor unions — the Single Workers Central, the General Confederation of Workers, and the Committee of Autonomous Unions [Confederacion de Sindicatos Autonomos].

The marchers carried placards and shouted slogans asking for workers benefits.

Venezuela: Energy Minister on OPEC Quota System

PA0505145996 Caracas ECONOMIA HOY in Spanish 2 May 96 p 11

[Report by Jose Enrique Arriola]

[FBIS Translated Text] Erwin Arrieta, Venezuelan mines and energy minister, is preparing to take advantage of the presence in Venezuela of high-ranking members of the Organization of Petroleum Exporting Countries (OPEC) to propose a modification in the

"quota" concept that has been in effect in the organization since 1986 when prices plunged considerably in the international markets.

The proposal is consistent with two other petitions associated with changes that must necessarily be adopted by a producers cartel that controls less than 30 percent of the world hydrocarbon market. Likewise, Venezuela will be insisting on possibly creating quota monitoring subcommittees to prevent psychological wars by the so-called secondary sources over constant violations of production ceilings by member countries.

Yesterday afternoon, OPEC President Ammar Makhlofi and Secretary General Rilwanu Lukman arrived in Venezuela on a two-day visit, which officially begins today. The objective of the visit is to discuss issues that will be the main focus of the next OPEC general meeting scheduled to take place in Vienna on 5 June.

After a meeting at the Congress of the Republic to discuss issues related to new electricity rates and the intervention of Cadafe [Electrical Administration and Development Corporation], Mines and Energy Minister Arrieta agreed to talk about the position Venezuela intends to adopt at the meetings that are about to begin today, as well as in Vienna.

"Venezuela will be requesting an assessment of a proposal to modify the concept of what we understand today as a production quota. This includes not only hydrocarbons placed in the international market, but also those intended for domestic use," the minister commented.

Since September 1993, Venezuela has been producing 2,359,000 barrels per day, which does not include orimulsion or natural gas. During 1995, the domestic market alone used 378,000 barrels per day, according to a report released by Venezuelan Petroleum Inc. [PDVSA].

With respect to the figures and if the quota modification proposal is approved, Venezuela could obtain an additional 378,000 barrels per day that would be sold to foreign buyers and would thus increase the country's export revenues, while at the same time maintaining its current production ceiling.

The proposal to exclude production for domestic use from OPEC's required quota will most likely be well-received by the other 11 members of the oil cartel. Although OPEC members are not considered major oil consumers, and with world demand growing, any alternative to the quota system that allows the likelihood of expanding exports could mean a respite for the national accounts of these nations.

OPEC has not modified its production ceiling since September 1993, when it was fixed at 24,520,000 barrels per day at the expense of most of the countries maintaining part of their production under control. The best example of this is Saudi Arabia, which was assigned a quota of 8 million barrels per day while it is capable of producing 10 million barrels each day.

Currently, OPEC is being accused of overproducing 1.6 million barrels per day while the world is demanding nearly 69 million barrels per day [as published]. However, Venezuela's proposal will have to face variables alien to the system itself, such as Iraq's reentry into the world market, and projections with respect to how prices will perform during the rest of the year, especially now that the winter season in the northern hemisphere has raised prices considerably.

Arrieta is convinced that the quota system will continue to be in use for some time. However, he is also convinced that OPEC's future will demand a discussion of the quota system. "The situation today is quite different; there are now other circumstances that were not present when the organization was created."

In fact, the minister acknowledged that Venezuela can "open its petroleum key" and place somewhere between 300,000 and 400,000 barrels per day into the international markets, if one takes into account that the country's production capacity currently stands at 3.2 million barrels per day.

Since his appointment as minister (March 1994), Arrieta has been pointing to the need for changes in the direction OPEC is headed, but it has only been now that he publicly specified his proposals as a key issue for the cartel. "What we are saying is that OPEC must return to its original role, which includes among others, the fact that it is an organization of exporting countries not petroleum producing countries."

In October 1986, OPEC decided to establish the quota system after its production ceiling policy failed to result in the anticipated benefits with regard to prices.

The quota includes domestic consumption, which is the sum of local sales of crude and refined products. It also includes bunker and aviation fuel sold to Venezuelan-flagged ships, domestic consumption, and losses to the national industry. Exports of direct net crude and refined products are also included, as are crude and refined products that are part of inventories located outside the country.

But, what is the objective of the OPEC quota system? Arrieta insists that "it serves more to prevent international prices from declining than as a formula to strengthen prices."

Since last year, Venezuela is insistently being accused of violating its production quota, which fluctuates somewhere between 140,000 and 600,000 barrels per day. "If we assume that this is true, then the question I must ask is where does the other million barrels of oil these sources claim OPEC is placing come from."

The other question oil analysts have been asking is how could Venezuela stay as a member of OPEC if

it forecasts a growth of 5.7 million barrels per day by the year 2005. "Venezuela does not seek to sidestep its quotas due to its growth; on the contrary, we are doing it so as not to be left out of the cartel," Arrieta commented.

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